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'YEAR-ENDER' REVIEWS, VIEWS U.S.-USSR RELATIONS

OW162034 Beijing XINHUA in English 1855 GMT 16 Dec 86

["Year-Ender: "Review and Outlook of U.S. - Soviet Relations (by Shi Lujia)" -- XINHUA headline]

[Text] Washington, December 19 (XINHUA) -- As 1986 draws to an end, there is no hopeful indication that relations between Washington and Moscow could move ahead in light of President Ronald Reagan's most serious diplomatic crisis since he entered the White House six years ago.

In the past year, Washington and Moscow have held disarmament talks at various levels and through different channels and they have conducted several consultations on regional issues, as well as bilateral talks aimed at improving their relations.

However, no significant achievement has been obtained in any field except some progress made in unofficial exchanges between the two countries. Even the second full-scale summit between President Reagan and Soviet leader Mikhail Gorbachev scheduled in Washington by the end of the year has not been realized.

For the United States and the Soviet Union, 1986 has been a year of repeated dialogues and confrontation but confrontation has remained as the main trend.

This striking feature is reflected in the issue of armament. Last February, U.S. Defense Secretary Caspar Weinberger said in his annual report that the Strategic Defense Initiative (SDI), also known as the "Star Wars" program, is the pillar of Reagan's defense philosophy because it holds out the prospect of perhaps escaping from the current nuclear balance of terror. An arms control negotiation strategy that emphasizes actual reduction, and not just restraint on new growth is another, he added.

Despite the strong opposition at home, the United States has done its utmost to develop the SDI program over the past year. The budget for SDI was 2.75 billion dollars in fiscal 1986 and increased to 3.53 billion in fiscal 1987. Until now, five countries -- Britain, Federal Germany, Israel, Japan and Italy, have announced their decision to participate in the "Star Wars" program.

Washington has also taken a series of measures to revive and reinforce its offensive nuclear forces. It has deployed elements of several new strategic systems including the first two new MX missiles, fitted with 10 independently targetable warheads. The first squadron of the strategic B-1 bomber is now operational and the conversion of the B-52 fleet to launch cruise missiles is underway. It should be noted that Washington deployed its 131st strategic bomber armed with cruise missile on November 28, exceeding the limit on stregic systems agreed to under the SALT-2.

The Soviet Union has strongly attacked the U.S. arms expansion, especially the SDI program, accusing Washington of intending to speed up the arms race. Moscow has deployed its new mobile missile SS-25, equipped with a single warhead, and replaced the twin warhead SS-N-6 with the 10-warhead SS-N-23. The Blackjack strategic bomber and the multiple-warhead SS-24 are also under development. At the same time, the Soviet Union has also launched a "peace" offensive in a bid to pin down the U.S. SDI program with international opinion.

Confrontation between the two superpowers on the arms race has also been furious at negotiation tables. At the Iceland summit meeting last October, both Washington and Moscow had shown considerable flexibility in their talks in order to seduce each other to give in on SDI. They had reached an initial agreement on drastically reducing strategic offensive nuclear weapons and intermediate-range missiles and even discussed the possibility of eliminating all nuclear weapons in ten years. However, SDI became a stumbling block in the last minute and their two-day meeting broke down.

On regional issues, the United States has carried out the global strategy of "Reagan doctrine" over the past year and intensified its rivalry with the Soviet Union over the Third World, particularly its involvement and interference in "hot spots" over the world. Washington has resumed its direct military aid to anti-government forces in Angola, bombed Soviet-backed Libya, provided advanced tactical missiles to Afghan rebels and gave 100 million dollars' aid to Nicaraguan contra rebels.

As for the Soviets, they have considerably exercised restraint in regional issues but stood firm in their position. Moscow has strengthened its military buildup in the Pacific region, continued to support the Vietnamese military occupation of Kampuchea and kept its armed forces in Afghanistan although it symbolically pulled out some of its forces there. It has also engaged in some diplomatic activities in the Middle East in a bid to expand its influence in the region.

The bilateral relations between the two countries have not been a plain sailing. The most conspicuous example was the "spy scandal" and the tit-for-tat war between Washington and Moscow in expelling each other's diplomats.

Two months have passed since President Reagan and Soviet leader Gorbachev met in Reykjavik last October. The United States and the Soviet Union have not been able to narrow their differences on the "Star Wars" program but started new quarrels.

Looking forward to the coming year, observers here are not optimistic about the U.S.-Soviet relations. Washington and Moscow, out of their own concerns and due to their difficulties, will not break off their dialogue but any substantive agreement between them would seem unlikely.

RENMIN RIBAO REVIEWS 1986 WORLD SITUATION

HK170351 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 16 Dec 86 p 6

["Special Year End Feature" by Sai Bei (1049 0554): "Confrontation and Dialogue, Was and Peace"]

[Text] The basic characteristics of the international situation in 1986 were, on the one hand, in a tumultuous state, as the United States and Soviet Union, while conducting dialogue based on their own needs, continued to engage in tense confrontation in various parts of the world. On the other hand, the efforts of the people of various countries to achieve disarmament and preserve peace were stepped up further, and the growth of factors for peace is now exceeding the growth of factors for war.

To gain military superiority, the U.S. and the Soviet Union have for many years expanded their armaments and competed with each other in developing nuclear, conventional, and even space weapons. The scale of this has become so huge that their economies can hardly bear it for long. Huge U.S. military spending has caused enormous financial deficits year after year and forced the U.S. to appropriately reduce the scale of its nuclear armaments in order to obtain the allocations needed for developing space weapons. In order to reform its economic structure, the Soviet Union has switched some capital from military to civilian use, and also needs to readjust its relations with the United States and other countries, to gain a favorable international environment. It is precisely because of their needs that these two have advanced from deadlock to dialogue. To prepare for their second summit talks, the two countries held a summit meeting in Iceland in October.

Proceeding from the view that dialogue is always better than confrontation, the whole world welcomed this U.S.-Soviet summit, in the hope that it would come up with a good result. However, what happened at the meeting showed that they have no intention of changing their basic strategies of winning superiority and exercising hegemony over the whole globe. Hence, although the two sides reached agreement at the Iceland meeting on reducing long and medium-range missiles, a rumpus erupted over the question of space weapons, and the meeting broke up without result.

Despite this, the Iceland meeting is not regarded as a total failure. At least the two sides gained better understanding of each other's intentions, and the possibility of gaining unanimity of views still exists in certain respects. Of course, this meeting also left behind a number of problems. Gorbachev originally intended to achieve some breakthrough in relations with the U.S. through the Iceland meeting, but he could not reach his goal of scrapping the U.S. Strategic Defense Initiative. And the summit meeting also roused strong reaction among the American people. Reagan's space plans encountered considerable opposition. The failures of Reagan's Republican Party in the November mid-term elections indicate that the Reagan Administration will spend the last 2 years of its term in difficult straits. Abroad, America's Western European allies were extremely unhappy over Reagan's rash promise to withdraw medium-range missiles from Europe and remove the U.S. nuclear umbrella over Western Europe. In particular, after the revelation that the U.S. had been secretly shipping arms to Iran, these allies felt all the more that America was unreliable, and they demanded that consultations between the U.S. and Western Europe be stepped up on major issues. They also stressed that Western Europe must, in the future, rely on its own solidarity and on the independent nuclear forces of Britain and France to preserve peace and security in Western Europe.

At present, on the question of U.S.-Soviet summit talks, the two sides have by no means said the last word, and the dialogue may resume under certain conditions. However, it appears to be far from easy for the two sides to make substantial progress in disarmament. This shows that the two superpowers engage in mutual attack and defense, and confrontation and dialogue take place simultaneously or in turns. This is a characteristic of U.S.-Soviet relations in 1986 and also for a time to come.

A stalemate continued on the battlefields in Afghanistan and Cambodia. In Cambodia, due to the strengthened unity of the three resistance factions of Democratic Kampuchea, armed struggle was launched on an extensive scale in the country and the Vietnamese Army was in a passive position everywhere; it could hardly concentrate its forces to launch large-scale offensives, and its situation became worse each day. [paragraph continues.

In order to extricate himself from a passive situation, Gorbachev delivered a speech at Vladivostok (Haishenwei) at the end of July, stating that the Soviet Union would withdraw six regiments of Soviet troops from Afghanistan and was willing to discuss the establishment of good-neighborly relations with China, at any time and at any level. However, there is a very big discrepancy between Soviet words and deeds. As the Soviet Union has never proposed a rapid and total withdrawal of forces from Afghanistan, there is still no sign of resolving the Afghan problem. As for the Cambodian issue -- the main obstacle in Sino-Soviet relations -- Gorbachev avoided all mention of it in his (Haishenwei) speech. It is evident that the Soviet Union is continuing to provide Vietnam with huge amounts of military and economic aid; it has consistently acted as a back-up for Vietnam's refusal to withdraw from Cambodia. So long as the Cambodian problem cannot be resolved, it will naturally be difficult to achieve any further improvement in Sino-Soviet relations.

In western Asia and the Middle East, the Iran-Iraq War shows no sign of ending. The secret shipments of U.S. arms to Iran show that it is trying to devise ways of reviving its past influence in this strategic area. This is bound to cause reaction from the other superpower, and to intensify the rivalry between them in the region. The Palestinian problem drags on unresolved due to the stubborn refusal of the U.S. and Israel to recognize the national rights of the Palestinian people. Israel is continually making brief incursions or attacks on Lebanon and putting pressure on the Arab states and the Palestinian people.

In Central America, due to continued American support for the Nicaraguan contras and its move in treating the countries around Nicaragua as military bases directed against the Nicaraguan Government, the mediation efforts of the Contadora Group of Latin American countries for bringing about peace in Central America have encountered numerous obstacles and have still not yielded concrete results. This region has remained in turmoil over the past year, but no new crisis has occurred there.

In the world as a whole, the United Nations designated 1986 as the International Year of Peace, to spur the struggle of the world's peoples for opposing war and for preserving peace. At the UN General Assembly this year, several dozen disarmament motions, including one proposed by China for nuclear and conventional disarmament, were adopted, reflecting the urgent desire and demands of the world's peoples for peace. Precisely because of the common efforts of the world's peoples, generally speaking, the international political situation in 1986 showed some slight signs of easing. Of course, the basic contradictions between the two superpowers still exist, the root of international tensions has not yet been removed, and moreover the current temporary easing may turn into new tension under certain conditions. Hence, the peace-loving peoples of the world need to make still greater efforts. However, it is gratifying that the forces for peace have greatly developed over the past year. Viewing the general trend of the international situation, so long as the peoples of the world wage unwearying struggle through various means and forms, there will be still greater hope for preventing a new world war and it is thus all the more possible for world peace to be preserved.

BEIJING REVIEW ON U.S. SCRAPPING SALT II

OW161114 Beijing BEIJING REVIEW in English 15 Dec 86 p 11

["An Unpopular Decision" -- by Xin Li]

[Text] The U.S. Air Force, on the orders of President Reagan, put into service on November 28 its 131st modified B-52 bomber equipped with nuclear-tipped cruise missiles. This means that for the first time in seven years the United States has gone beyond the limits of the U.S.-Soviet Strategic Arms Limitation Treaty (SALT II), which allows the United States to have 1,320 strategic missile launchers, including 130 cruise missile carrying bombers.

Signed in 1979 by the late Soviet leader Leonid Brezhnev and former U.S. President Jimmy Carter, SALT II was never ratified by the U.S. Congress but adhered to informally by the U.S. Government, using the power given to the President "to make treaties" by the U.S. Constitution. President Reagan also used this same power to announce his final decision to scrap the treaty at a meeting with his top national security advisers on November 27, to counter the alleged Soviet threat and Soviet violations of the SALT II treaty.

The decision has drawn sharp criticism from leading Democrats. Senate Democratic leader Robert Byrd said that as the only superpower to break the SALT II treaty, the United States invites the Soviets to do the same. Byrd also expressed the fear that the U.S. move would hand the Soviet Union "the bonus of a propaganda victory in Europe." Representative Jim Wright, who will become Speaker of the House in January, said that the U.S. decision to scrap the treaty is a setback to the cause of nuclear disarmament and a further blow to the credibility of U.S. foreign policy. Describing the decision as "a tremendous mistake," Patricia Schroeder, a member of the House Armed Services Committee, feared that it might be "more profitable" for the Soviet Union because "they can add more warheads to their weapons more quickly than we can." Senator Edward Kennedy said, "There is simply no good reason for the United States to move outside the SALT II limits at this time," and "the further stockpiling of nuclear weapons by both superpowers means an unbridled arms race."

The allies of the U.S. expressing deep regret over the decision, have called on the U.S. to adhere to SALT II. A spokesman of the British Foreign Ministry said the UK would be holding discussions with the U.S. in the search for a new accord on limiting strategic nuclear weapons. President Francois Mitterrand, regretting the U.S. decision to exceed the limits of the SALT II treaty, said, "It would be very wise and very useful" to abide by the treaty. Though refraining from openly criticizing the United States for putting the over-the-limit B-52 bomber into service, West German Government spokesman Friedhelm Ost said that both superpowers should adhere to the agreed upper limits on strategic nuclear weapons, while insisting that the goal of both superpowers should be to reduce offensive nuclear weapons massively.

Italian Prime Minister Bettino Craxi wrote a letter to Reagan saying no steps should be taken to violate SALT II even if it is necessary to maintain the nuclear deterrent, and the Italian Government hoped the two sides would reach a more comprehensive treaty on the control and reduction of nuclear arms. In Canberra, the Australian Government has also expressed its deep regret over the U.S. announcement. [paragraph continues]

Australian Foreign Minister Bill Hayden said in a statement that Australia felt it was very important that the U.S. and the Soviet Union comply with the terms of SALT II. He said the limits that SALT II placed on strategic arsenals added an important measure of predictability to the nuclear balance, and despite the treaty's imperfections, it was the only point from which the two superpowers can begin to discuss significant reductions in their nuclear forces.

Responding to the U.S. announcement, Soviet leader Mikhail Gorbachev said in New Delhi that the U.S. decision to exceed the limits of SALT II went against the entire logic of the Iceland summit. It would now be more difficult for both superpowers to find a road to disarmament, he said.

RENMIN RIBAO ON 'MADE IN AMERICA MONTH'

HK160347 Beijing RENMIN RIBAO in Chinese 14 Dec 86 p 6

["Jottings" by Zhang Liang (4545 5328): "'Super Advertisement'"]

[Text] "I, Ronald Reagan, President of the United States of America, here solemnly proclaim December 1986 as 'Made in America Month.' I request the American people to celebrate this month with appropriate programs, ceremonies, and activities, that is, to celebrate the unparalleled quality of American products." Some people think that this is a "super advertisement" for the promotion of U.S. products rather than a presidential proclamation.

What is the purpose of this move? Everybody knows that the purchasing activities of the American people reach the climax around Christmas. The sales volume of most shops in this "golden month" accounts for more than 20 to 30 percent of their annual sales volume. Despite the careful wording and skillful delivery of the President's proclamation, the message it gives to the American people is not difficult to understand. The message is: Please buy U.S. products, which are of "unparalleled quality."

Of course, the White House has been compelled to take this move. It wants to improve the increasingly deteriorating situation of U.S. trade. In 1985, the U.S. foreign trade deficit reached a record high of $148.5 billion. Although the exchange rate of the U.S. dollar has dropped considerably this year and the government has adopted some measures to restrict imports, the foreign trade deficit continues and the estimated figure will be $165 billion. Most nongovernment economists hold that if this problem is not mitigated, it will not be possible for the U.S. economy to maintain a growth of more than 3 percent in the coming years, a rate estimated by the White House. It is clear that this move also reflects the government's worry and concern about the deteriorating situation in foreign trade.

It is difficult for the people to foretell the effect of this "super advertisement." However, this is probably an utterly inadequate measure to solve the problem of the enormous adverse trade balance.

SOVIET INDUSTRY, TRADE EXHIBITION IN BEIJING

Li Peng Cuts Ribbon

OW121254 Beijing, December 12 (XINHUA) -- Chinese Vice-Premier Li Peng cut the ribbon today to open a Soviet industry and trade exhibition at the China International Exhibition Center on the eastern outskirts of the capital.

The exhibition is being held in accordance with an agreement signed by China and the Soviet Union in 1985.

Li Peng said at the opening ceremony, China's economic and trade exhibition held this summer in Moscow and the opening of the Soviet industry and trade exhibition here today are of great significance for furthering the trade contacts, and economic and technical cooperation between the two countries on the basis of equality and mutual benefit.

The Chinese Government will, as always, do its best to develop cooperation in the fields of trade, economy, science and technology, improve Sino-Soviet relations and enhance the friendship between the peoples of the two countries, he added.

A Soviet Government delegation came to attend the opening ceremony, at which Minister of Ferrous Metallurgy and head of the delegation S.B. Kolpakov read aloud a message from N.I. Ryzhkov, chairman of the Soviet Council of Ministers.

Ryzhkov said in his message that he hoped the exhibition would help the Chinese people understand better the achievements scored by the Soviet people in various fields, expand the relations between the two countries and strengthen their good-neighborly relations and cooperation.

This is the first exhibition of its kind that the Soviet Union has held in China since 1954.

On show are more than 500 exhibits, including models of a spaceship, the first satellite the Soviet Union launched 30 years ago, a moon vehicle, nuclear power station, transportation and communications means, machine tools, textile machinery and light industrial products, covering 4,600 square meters in floor space.

A Soviet fashion show also attracted a great number of visitors at the exhibition.

Zhao Ziyang at Exhibit

OW151033 Beijing in Russian to the USSR 1800 GMT 14 Dec 86

[Text] On the afternoon of 13 December Zhao Ziyang, premier of the PRC State Council, and Yao Yilin, vice premier, accompanied by Kolpakov, head of the USSR Government delegation and minister of ferrous metallurgy, visited with great interest the USSR trade and economic exhibition being held in Beijing.

Zhao Ziyang said: China is following a policy of widening ties with all countries of the world.

I hope that, through the joint efforts of the PRC and the Soviet Union, the cooperation in the fields of economy, culture, science and technology, and physical culture, and sports will acquire further development.

Zhao Ziyang attentively inspected the exhibits. Smiling, he opened a door of a black Volga automobile. He then took off his glasses and started to look through an operations manual of an aircraft engine. Zhao Ziyang and Yao Yilin also inspected an exhibit of geographic works and applied art objects. Workers of the Soviet exhibition presented them with goodwill souvenirs.

After inspecting the exhibition, Premier Zhao Ziyang wrote in the visitors' book: We inspected the USSR trade and economic exhibition with great interest. The exhibition demonstrates many achievements of the Soviet people in socialist construction. We hope that the traditional friendship between the Chinese and Soviet peoples and the economic and technical cooperation between the two countries will achieve further development. We wish the Soviet people further successes in accelerating deveopment of the state economy.

Premier Zhao Ziyang and Vice Premier Yao Yilin, on their visit to the exhibition, were accompanied by responsible comrades of interested Chinese organizations Zhen Tuobin, Wu Wenying, Jia Shi, and Ma Hong.

LIGACHEV ON USSR-PRC ECONOMIC, CULTURAL LINKS

OW180650 Beijing XINHUA in English 0640 GMT 18 Dec 86

[Text] Hanoi, December 18 (XINHUA) -- Economic and cultural relations between the Soviet Union and China are developing quickly, the leader of the Soviet delegation to the Vietnamese Communist Party's Sixth Congress said Wednesday.

Igor Ligachev, a member of the Soviet Politburo, told a news conference here that the two countries have exchanged visits by state and government officials and parliamentary delegations. A China trade fair was held this year in Moscow, and a Soviet fair is taking place in Beijing, he noted.

Ligachev said an improvement in Soviet-Chinese relations will in turn help relations between Vietnam and China, and reiterated that the development of Soviet-Chinese ties will never be at the expense of a third nation.

Moscow will extend eight billion to nine billion rubles (11.7-13.2 billion U.S. dollars) in economic aid to Vietnam during the 1986-1990 period, Ligachev said. The sum of new aid will double what Moscow has offered Hanoi in the previous five years.

On Soviet-U.S. relations, he said the United States has not yet given up its intention to gain military supremacy. If Washington continues to conduct tests of sophisticated weapons, his country will not go on with its moratorium on nuclear tests that began in August, 1985, he said.

JAPANESE TRADE DELEGATION VISITS CHINA

Exports to Japan Promoted

HK120743 Beijing RENMIN RIBAO in Chinese 10 Dec 86 p 1

[Dispatch by reporter Feng Xiao (7458 7179): "Chinese, Japanese Trade Promotion Groups Reach Agreement on Chinese Exports to Japan"]

[Text] On 9 December, China's Japanese Export Promotion Group held talks in Beijing with the Japanese delegation from the Research Society for Chinese Import Development. The aim of the talks was to promote the export of Chinese goods to Japan and to cut the unfavorable Sino-Japanese trade deficit.

After friendly discussion, both parties reached an agreement. The major contents of the agreement are:

First, both parties hold that with joint efforts by both countries and peoples, China and Japan are developing their friendly relations, as well as relations in terms of economics, technology and trade. To further develop these relations, it is necessary for both parties to put an end to the very imbalanced situation in Sino-Japanese trade, and to promote balanced trade relations between the two countries.

Second, both parties believe that in order to put an end to the imbalance in Sino-Japanese trade, and to develop cooperative relations in terms of economics and technology, it is necessary for all pertinent organizations to strengthen cooperation and formulate specific measures for projects in developing new commodities, technological transfer, financial cooperation and joint ventures, so as to help expand exports of Chinese goods to Japan.

Third, both parties must provide each other with the macroeconomic or microeconomic information needed for studying. They should promote contacts with, visits to, exchanges, and trade talks with the research institutes and sectors concerned, so as to strive for practical results.

Trade Delegation Sees Tian, Gu

OW112234 Beijing XINHUA in English 1836 GMT 11 Dec 86

[Text] Beijing, December 11 (XINHUA) -- Chinese Vice-Premier Tian Jiyun and Chinese State Councillor Gu Mu met here today on separate occasions a delegation from Japan Association for the Promotion of International Trade, led by its President Yoshio Sakurauchi.

During the meeting, Tian briefed the Japanese guests on the present situation of economic development in the country and the central task for next year.

He said the economic situation this year is better than what had been expected. The output of grain has increased more than that of last year and the commodity economy in the rural areas has enjoyed a further development and the situation of industrial development is not bad.

Tian said that the central economic task next year is to further the ongoing reform and to promote a sustained, steady and coordinated development of national economy through reform, adding that the main task of the economic structural reform next year is to vitalize the enterprises.

He said that the government should not only make sure that the enterprises enjoy the decision-making power definitely given by the state, but also should carry out relevant reforms in some other fields to inject some new vitality into the enterprises.

He said that another main task of next year's economic work is to strengthen the agricultural production, especially the grain production.

Speaking on the trade and economic relations between China and Japan, Tian hoped that China and Japan should explore possibilities of the economic and technological cooperations in many aspects.

Gu Mu spoke on the issue of foreign investment in China when meeting with the Japanese guests.

He said that in order to implement the provisions of the State Council of China for the encouragement of foreign investment, several other implementing amendments in detail will be announced in succession.

Gu said that China will create a "small climate" for the foreign investment enterprises to let them have the power to decide their own management of science and personnels according to the international practice, therefore these enterprises cannot be restricted by the present management system in China.

State Councillor and Foreign Minister Wu Xueqian met the Japanese guests this morning.

Yoshio Sakurauchi gave a return banquet here this evening. Gu Mu and Jia Shi, president of the China Council for the Promotion of International Trade, attended the banquet.

Deng Meets Trade President

OW121124 Beijing XINHUA in English 1115 GMT 12 Dec 86

["China Firm in Reform: Deng" -- XINHUA headline]

[Text] Beijing, December 12 (XINHUA) -- Chinese top leader Deng Xiaoping said here today China is firm in carrying out its reform and he himself has full confidence in the reform.

Deng, chairman of the Central Advisory Commission of the Chinese Communist Party, said this at a meeting with a delegation from Japan Association for the Promotion of International Trade led by its President Yoshio Sakurauchi today.

He said China has made achievements in the economic restructuring, which centers on granting decision-making power to organizations at lower levels and rousing enthusiasm of enterprises. However, he added, these achievements are not satisfactory.

The relegation of decision-making power and rousing of enthusiasm also involve the political reform, he said.

Deng pointed out that carrying out structural reform in China is not an easy job as there is a huge force of habit.

"There are very few people who openly object to the reform," he said. "However, when it comes to matters concerning certain people's interests, some people who favor reform will also turn into a sort of obstacle."

"Hence, we should be prudent and guard against rashness," he noted.

He said China will unswervingly carry out its reform in the next as well as this generation. "I hope I can see China's reform set into shape during my lifetime," he added.

In reply, Sakurauchi said during its stay in China his delegation has held talks with ten Chinese departments on promoting bilateral economic cooperation and trade and promised to work to solve the problem of China's trade deficit in Sino-Japanese trade.

Deng described the problem of trade deficit as a matter vital to the growth of Sino-Japanese trade. He also urged Japan to help China develop by providing funds and technology.

CHINA, MONGOLIA SIGN TRADE PROTOCOL FOR 1987

OW150718 Beijing XINHUA in English 0714 GMT 15 Dec 86

[Text] Ulaanbaatar, December 15 (XINHUA) -- China and Mongolia have signed a protocol on next year's goods exchange and payments for them.

According to the protocol, China will export to Mongolia silks, textiles, light industrial goods, chemicals, machines and fruit while importing from the country timber, leather and raw materials for making paper.

China's Vice Minister of Foreign Trade Wang Pinqing and his Mongolian counterpart N. Babuu signed the document on behalf of their respective governments.

Sources from the Chinese Foreign Economic Relations and Trade Ministry said next year's trade between the two countries is expected to increase by 7.8 percent over this year.

PYONGYANG CITY DELEGATION ARRIVES IN SHENYANG

SK150730 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 12 Dec 86

[Text] At the invitation of the Liaoning Provincial People's Government, a five-member delegation of foreign affairs personnel of the city of Pyongyang, Korea, led by (Yi Pyong-nam), director of the foreign affairs bureau of the Pyongyang City Administrative and Economic Guidance Committee of Korea, arrived in Shenyang by train this afternoon. Li Xishun, director of the provincial foreign affairs office, and others went to the station to welcome the Korean comrades. Yu Man-pok, consul general at the DPRK Consulate General in Shenyang, was also present at the station to greet the delegation.

During the evening, Vice Governor Bai Lichen cordially met with and feted all the members of the delegation.

NEW ZEALAND'S DIPLOMATIC ACTIVITIES REVIEWED

OW121238 Beijing XINHUA in English 1035 GMT 12 Dec 86

["Roundup: An Active Diplomatic Year for New Zealand (by Xu Bangwen)" -- XINHUA headline]

[Text] Wellington, December 12 (XINHUA) -- The outgoing year of 1986 has witnessed active diplomatic activities taken by New Zealand including its strong anti-nuclear measures.

A major event in the country's foreign affairs in 1986 was that it has been virtually excluded from the ANZUS Defence Pact because of its refusal to allow U.S. warships to enter its ports before the United States confirms that there is no nuclear weapon on board.

New Zealand has adhered to an anti-nuclear policy. At the 16th South Pacific Forum held in the Cook Islands in August 1985, New Zealand and other South Pacific countries declared the South Pacific region as a nuclear-free zone. Officials of New Zealand and other South Pacific countries this year visited the world's five nuclear-powered nations for discussions on the South Pacific nuclear-free treaty. The New Zealand Government also approved a legislation banning visits of nuclear warships to its ports.

New Zealand's refusal to allow U.S. nuclear warships to call at its ports caused a crisis in the Australia, New Zealand and the United States treaty (ANZUS), which was signed by the three countries in 1951. The United States and New Zealand have kept holding talks and criticizing each other, but there is no cheering indication of a prompt and easy solution yet.

After the talks between New Zealand Prime Minister Lange and U.S. Secretary of State George Shultz on the ANZUS dispute in Manila in July 1986, Shultz said New Zealand was effectively out of the ANZUS. The United States also announced at the end of the Australia-United States ministerial meeting in San Francisco in August 1986 that it was suspending its security obligations to New Zealand because the nation had failed to restore port and air access for U.S. forces.

Political observers here maintain that in spite of the conflict the United States and New Zealand still have areas of mutual interests and both countries would still remain friends.

This year New Zealand also solved a dispute with France over the bombing of the Greenpeace "Rainbow Warrior" ship after one year's busy diplomatic activities. The "Rainbow Warrior" went to the French nuclear test site in Mururoa Atoll, South Pacific, to protest against French nuclear tests. On July 10, 1985, the ship was destroyed by bombs placed by French secret agents in Auckland. The New Zealand Government arrested two French agents and sentenced them to 10 years' imprisonment.

During the past year, France and New Zealand held several unsuccessful talks on the issue. Last June they agreed to let U.N. Secretary General Perez de Cuellar arbitrate in the dispute. In the end, France apologized to New Zealand and paid a compensation of seven million U.S. dollars. The two French agents were transferred to the French military authorities at Hao Island. They would spend three years in custody there.

Mutual visits between government leaders of New Zealand and other countries have never been as frequent as in 1986. The mutual visits strengthened understanding and promoted friendly relations and economic cooperation between New Zealand and other countries.

In the outgoing year, New Zealand also continued to stand against the Soviet aggression in Afghanistan and supported the stand of the Association of Southeast Asian Nations (ASEAN) on solving the Kampuchean issue. It imposed limited sanctions against South Africa, and banned a tour by rugby players to that country.

New Zealand has attached much importance to its economic ties and cooperation with Third World countries. The government has approved 119.7 million New Zealand dollars (61.38 million U.S. dollars) in aid for developing countries for the current financial year. New Zealand's assistance to the South Pacific and Southeast Asian nations are primarily used to help promote economic and social developments.

Prime Minister Lange announced last May that "New Zealand's foreign policy must reflect New Zealand's interests. We are, for instance, a country which lives by international trade, and our foreign policy must be directed to creating the conditions in which we can successfully trade." Under this principle, New Zealand has trade relations with many countries all over the world. Its exports were valued at 10.57 billion N.Z. dollars (5.42 billion U.S. dollars) and its imports totalled 11.48 billion N.Z. dollars (5.89 billion U.S. dollars) in the 1985-86 fiscal year.

PRC AUSTRALIA EDUCATION PROGRAM ANNOUNCED

OW141214 Beijing XINHUA in English 1204 GMT 14 Dec 86

[Text] Canberra, December 14 (XINHUA) -- Australian Education Minister Susan Ryan announced here today details of an education cooperation program with China involving one million Australian dollars (0.65 million U.S. dollars) per annum.

In a statement, Susan Ryan said that the Sino-Australian education program for the next year will include:

1) 400,000 Australian dollars to fund 20 Chinese scholarship students in Australia

2) 200,000 Australian dollars to fund a new language teacher exchange program

3) 300,000 Australian dollars to fund the development of further links between Australian and Chinese educational institutes and

4) 100,000 Australian dollars to support vocational training links between the two countries.

The Sino-Australian education cooperation program was established during Ryan's visit to China in August and the details were finalized during meetings here last week between senior Chinese and Australian officials.

An official exchange of visits will be carried out by Chinese university presidents to Australia and by Australian vice-chancellors and college principals to China.

NEW 'IMPROVED' MISSILE FRIGATE COMMISSIONED

OW171044 Beijing XINHUA Domestic Service in Chinese 1154 GMT 14 Dec 86

[By reporter Huang Caihong]

[Text] Shanghai, 14 Dec (XINHUA) -- China's first new missile frigate was commissioned today. The China State Shipbuilding Corporation and a leading naval organ held a grand commissioning ceremony in Shanghai.

Boarding the new silver grey frigate at Shanghai Port this morning, this reporter was greeted by a magnificent warship heavily decorated with bunting. Deputy Naval Commander Zhang Lianzhong delightfully told the reporter that the new frigate is the first Chinese naval vessel to be completely sealed and air conditioned. With major improvements in combat capacity, in the levels of modernization and automation, and in shipboard facilities, it marks a great step forward in modernizing naval equipment.

Designed and built by the Hudong Shipyard in Shanghai, this new missile frigate is equipped with facilities representing China's advanced scientific and technological achievements of the eighties.

XI ZHONGXUN LECTURES ON CPC RESOLUTION

OW131313 Beijing Domestic Service in Mandarin 2315 GMT 11 Dec 86

[First in a series of lectures on studying the CPC Central Committee's Resolution on the Guiding Principles for Building Socialist Spiritual Civilization, entitled "Study the Guiding Principles for Building Spiritual Civilization Well" written by Xi Zhongxun]

[Text] The resolution of the CPC Central Committee on the Guiding Principles for Building a Socialist Spiritual Civilization, adopted at the 6th Plenary Session of the 12th CPC Central Committee, is a very important historical document, based on thorough discussions and preparations, reflecting, in a concentrated form, the wisdom of the whole party, and taking the opinions of comrades outside the party. Arming itself with the ideological weapon of Marxism the resolution summarizes China's past and present experiences in building socialist spiritual civilization, analyzes the current situation and work conditions, answers new questions in ideology and practical work, and enriches the theory of building socialism with Chinese characteristics. It is a program guiding China's building of socialist spiritual civilization in the new historical period.

An important feature of the resolution is that is upholds and develops the principles and policies, adopted by the 12th CPC National Congress, regarding efforts to build a socialist spiritual civilization, and that it further expounds the strategic importance, basic tasks, and fundamental guiding principles of building spiritual civilization in the new period, as well as the relationship between the building of spiritual civilization and comprehensive reform and opening to the outside world. In the 4 years since the 12th CPC National Congress, an overall reform has been gradually unfolded in China's economic and political life. Rural economic reform, after achieving great successes, has been further deepened. Comprehensive economic structural reform, focusing on the urban economy, and overall reforms in the science and technology management and educational systems have proceeded steadily after obtaining initial results.

Reform of the political system is now an important item on the agenda. At the same time, the party and government have scored great achievements in steadfastly carrying out the basic national policy of opening to the outside world. Comprehensive reform and opening to the outside world have given strong impetus to the socialist modernization drive surrounding economic construction. It has also stimulated progress in, and set new and higher demands for, building socialist spiritual civilization. To keep abreast of the new situation and intensify the building of spiritual civilization, it is necessary to cope with the needs of the comprehensive reform and opening to the outside world, i.e. the need to develop a socialist commodity economy and strengthen socialist democracy and the legal system, by striving to bring about positive and penetrating changes in the people's thinking and mental state, getting rid of the shackles of feudal ideology, resisting the corrosive influence of capitalist ideology, and creating more powerful public opinion, value concepts, and cultural and social conditions for serving the socialist modernization drive.

Guided by Marxism, socialist spiritual civilization is an important characteristic in socialist society. By reviewing the past and looking to the future, the resolution outlines the following overall plan for carrying out the socialist modernization drive in China: It is necessary to focus on economic construction in steadfastly carrying out economic and political structural reforms and intensifying the building of spiritual civilization, and coordinate the efforts in these fields so that they can promote each other. In other words, according to this overall plan, the economic, political and other reforms should promote the building of two civilizations, which should promote each other and advance simultaneously in playing a joint decisive role in the victory of the entire modernization drive surrounding economic construction. In this way, economic construction, comprehensive reform, and the building of spiritual civilization are closely related as one integrated body, which not only correctly reflects the objective law of socialist development, but also fully manifests the strategic importance of building spiritual civilization. All this is to serve the purpose of strengthening the building of two civilizations, and continually developing the productive forces of society. In the past, due to the protracted influence of erroneous leftist guiding ideology, we continued to take class struggle as the key link, even after socialist transformation was basically completed, causing destruction in the building of material and spiritual civilization, and inflicting immeasurable damage on the country and people of all nationalities. This should never be repeated.

Another important feature of the resolution is that it persists in the party's ideological line of seeking truth from facts, and that it scientifically combines the common ideal of the people of all nationalities in China at the present stage, with the party's ultimate goal for the benefit of most extensively and fully mobilizing the masses and uniting all forces that can be united in striving to build our great motherland. The resolution explicitly points out the common ideal of the people of all nationalities in the country at the present state is to build socialism with Chinese characteristics and build China into a highly civilized and democratic modern socialist country. This common ideal is based on the scientific foundation of correctly understanding and handling major contradictions in Chinese society at the present stage. It fully reflects the interests and aspirations of the Chinese workers, peasants, intellectuals, and other working people and patriots, and thus can most effectively encourage more and more people to be resolved to carry out construction and reform and do a solid job of work.

At the same time, the resolution unequivocally points out that the ultimate ideal for our party is to build a communist society applying the principle of from each according to his ability, to each according to his needs.

It should be noted, however, that realizing this ultimate communist ideal is a long historical course, involving many stages of development in revolution and construction. Each stage of development has a specific goal, and the attainment of each goal represents a realistic step in advancing to the ultimate communist ideal. At the present stage, we are striving to build socialism with Chinese characteristics; that is, we are striving for the ultimate ideal of our party. In this drive, if we forget the ultimate ideal, we shall lose our bearings and not be self-conscious communists. Also, if we make mere empty talk on the ultimate ideal, disregarding the level of development of our social productive forces and the varying degrees of consciousness of the broad masses of people, and if we ignore the need to strive to meet the realistic work target, we shall not be self-conscious communists.

Prior to the 3d Plenary Session of the 11th CPC Central Committee, we had long been mistaken in economic construction, cultural development, and ideological and political work, in that we had failed to proceed from reality, violated the objective rules, and set too high and inappropriate demands, thus dampening the initiative of the broad masses of people. Such a guiding ideology, which ignored reality and the situation of the masses, was very detrimental to our cause of revolution and construction. As the resolution points out, in strengthening the building of spiritual civilization, we should bear in mind the historical lessons, handle the various contradictions in socialist society correctly, and persist in using the methods of education and persuasion in addressing ideological problems. We should always keep national construction in the forefront of our thoughts and focus our attention on uniting the people and bringing their socialist enthusiasm and initiative into play, on meeting their cultural and intellectual needs, and on raising their ideological and ethical standards, and on developing education, science, and culture. In short, we should focus our attention on facilitating the growth of social productive forces. To sum up, at the present stage, uniting closely and on an extensive scale the people of all nationalities in the country, firmly adhering to the principles of overall reform and opening to the outside world, and working for the four modernizations with one mind and by pooling the wisdom and efforts of everyone is the imperative way to bring prosperity to our country, maintain its stability and order for a long time to come, and eventually to realize our ultimate ideal.

In addition, the resolution gives an incisive exposition of the position and role of Marxism in building spiritual civilization and expounds on the organization of the Communist Party and the responsibilities of its members. Marxism is the scientific world outlook of the working class and one of the great achievements in the history of the spiritual civilization of mankind. It provides or communist party members and working people with a powerful ideological weapon for getting a correct understanding of various objective things, and it points out the direction for us to transform the old society and build a new one. Throughout the work of building spiritual civilization, whether it is to raise the people's ideological, ethical, or cultural level or to enhance their concept about democracy and the legal system, we should give full play to the vital guiding role of Marxism. The resolution points out, in particular, that Marxism is a science constantly enriching and developing itself, in keeping with historical and scientific advance. A crystallization of the collective wisdom of our party, Mao Zedong Thought, is the application and development of Marxism-Leninism in China.

The series of principles and policies formulated by the party Central Committee, which are suited to China's national conditions and which have proved effective, as well as the numerous reports and statements made by leading comrades at the central level since the 3d Plenary Session of the 11th CPC Central Committee, are also the application and development of Marxism in our country during the new historical period. Cadres, who are party members, are requested to play a leading role in studying Marxism-Leninism-Mao Zedong Thought in a serious way. They should strive to grasp and apply the basic principles and methods of Marxism-Leninism-Mao Zedong Thought to study the new circumstances, experiences, and questions in the economic, political, cultural, and social aspects in connection with socialist modernization and overall reform, and to explore the law for building socialism with Chinese characteristics. All in the party should uphold and develop Marxism in the great practice of modernization.

The Communist Party of China is the core leading the socialist cause of our country and is the organizer and leader of the work of building spiritual civilization. Because it is a ruling party, its work style has a decisive effect on general practice throughout society. It is, therefore, imperative for the party organizations at all levels and party members at large to enhance their own spiritual civilization in the first place, uphold and carry forward the party's fine traditions, and develop a still better party style to meet the needs of modernization. The leading party organs and cadres at all levels must set an example in this regard, and lead all comrades in the party to unite the broad masses to make a success of the various tasks in beefing up the building of spiritual civilization, according to the guiding principles clearly stated in the resolution.

All comrades in the party, especially leading comrades at all levels, should understand that strengthening the building of spiritual civilization during the new historical period involves work in various areas and has a very far-reaching effect. It concerns the fundamental interests of the people of all nationalities in the country, as well as the prosperity and success of China's socialist cause. From the time of the founding of the people's Republic to the 10-year Great Cultural Revolution, our party not only gained successful experience, but also learned deep lessons. It was not until after the 3d Plenary Session of the 11th CPC Central Committee that the proposal was put forward to build a socialist spiritual civilization. The convocation of the 12th CPC National Congress in 1982 and the National Conference of Party Delegates in 1985 further evoked the attention of the whole party and the entire country to build spiritual civilization. With the success in eliminating chaos and restoring order, the development of overall reform, and the progress in promoting material civilization, significant advances were made in building socialist spiritual civilization. On the whole, however, our experience in this respect is not very much, while many of our comrades are relatively unfamiliar with this work, and their problems regarding the guiding principles in the ideological and political fields and in practical work still have not been resolved. Particularly, in the days to come, under the new circumstances marked by continuous development of economic construction, overall reform, and the work of opening ourselves to the outside world, how to beef up the efforts to build spiritual civilization will be a question of general concern before the comrades of the whole party and the people throughout the country from the top down. Such being the case, the resolution adopted by the plenary session of the party Central Committee puts emphasis on further clarifying the guiding principles for building spiritual civilization and solving the questions of ideology and understanding which are of overall importance. Further, it shows a new progress in recognizing and treating many important questions. This constitutes another major characteristic distinguishing the resolution from other documents.

Studying the resolution seriously is a prerequisite for implementing the resolution and doing related work in a creative way. In studying and implementing the resolution, comrades of all localities, departments, and units should, first of all, seriously study and correctly grasp its basic essence and principal characteristics and make clear how it upholds and develops the guidelines of the 12th National Party Congress, which important questions are given new cognition and treatment, what these are, and why the questions are treated this way. They should combine the study of the resolution closely with efforts to investigate and study the real situation in their respective localities, departments, and units, and ponder over it repeatedly in order to get a deep understanding. After earnestly studying this document and gaining an accurate picture of the real situation, they should make positive and steady efforts to develop their work. In studying the resolution and investigating the real situation, they should never act cursorily without going deep into the matter, nor should they make hasty suggestions and issue calls while they themselves are still not very clear about the resolution or the real situation. Otherwise, not only is it impossible for them to do successful work, but mistakes of one kind or another may be made. In implementing the resolution, it is necessary to guard against interference of one kind or another and to oppose formalism and the act of turning out something merely for show. As long as the vast numbers of cadres with party membership and the broad masses have achieved unity in thinking on the basis of the resolution through the study of this document, their enthusiasm and initiative will be brought into full play, and the work of building spiritual civilization will be developed in a down-to-earth way. This will effectively promote and guarantee the successful development of the work of reform, the opening of ourselves to the outside world, and our cause of socialist modernization.

MEETINGS CELEBRATE XIAN INCIDENT ANNIVERSARY

Leaders Attend Rally

OW151301 Beijing XINHUA Domestic Service in Chinese 1214 GMT 12 Dec 86

[Excerpts] Beijing, 12 Dec (XINHUA) -- More than 1,000 people from various circles in the capital gathered in the auditorium of the CPPCC National Committee this morning to mark the 50th anniversary of the Xian Incident.

In a speech at the meeting, Xi Zhongxun, member of the Political Bureau of the CPC Central Committee, spoke highly of the important role the Xian Incident played in pushing modern Chinese history forward. He said that the Xian Incident was a key event in the historical change in China from a long civil war to an united War of Resistance Against Japan, and that the great contributions made by the two national heroes, Zhang Xueliang and Yang Hucheng, to the Chinese nation's liberation cause would go down in the annals of history.

Among those attending the meeting were Hu Qili, Song Renqiong, Liu Lantao, Zhu Xuefan, Ngapoi Ngawang Jigme, Banqen Erdini Qoigyi Gyancan, Huang Hua, Chu Tunan, Gu Mu, Kang Keqing, Qian Changzhao, Zhou Peiyuan, Burhan Shahidi, Miao Yantai, Qu Wu, and Lei Jieqiong. Yan Jingren, vice chairman of the CPPCC National Committee, presided over the meeting. [passage omitted on brief account of the Xian Incident]

In his speech, Xi Zhongxun paid high respects to, and deeply cherished the memory of, the two national heroes, Zhang Xueliang and Yang Hucheng, on behalf of the CPC Central Committee.

He said: When our country was beset with numerous adversities, Generals Zhang and Yang, out of their sincere patriotism, bravely staged the incident for the benefit of our country and people in disregard of the blame that could be put on them and the adverse effect it could have on their personal safety. The immense sacrifice they made was glorious and lofty. By carrying forward their patriotic spirit, we will certainly inspire the sons and daughters of people of all nationalities in China to strive for the reunification and prosperity of the motherland and for our national unity and progress.

Speeches were also made at this commemoratory meeting by Lu Zhengcao, vice chairman of the CPPCC National Committee; Wang Bingnan, member of the NPC Standing Committee; Hou Jingru, vice chairman of the Central Committee of the Chinese Kuomintang Revolutionary Committee; Ye Duyi, vice chairman of the Central Committee of the China Democratic League; Fang Rongxin, vice chairman of the Central Committee of the Chinese Peasants and Workers Democratic Party; (Betterland), a foreign journalist who was in Xian at the time of the incident; and (Annalise), honorary president of the FRG-China Friendship Association. [passage omitted]

Those who personally witnessed the Xian Incident 50 years ago, relatives of Generals Zhang Xueliang and Yang Hucheng, other principal participants of the incident, and friends from abroad attended today's meeting.

Xi Zhongxun Address

OW151305 Beijing XINHUA Domestic Service in Chinese 0834 GMT 12 Dec 86

[Text] Beijing, 12 Dec (XINHUA) -- Speech at rally to commemorate the 50th Anniversary of the Xian Incident

(12 December 1986)

Xi Zhongxun

Comrades and friends:

Today, people from various circles in the capital gather here to commemorate the 50th anniversary of the Xian Incident. On 12 December 1936, patriotic Generals Zhang Xueliang and Yang Hucheng of the Kuomintang staged the Xian Incident in an effort to "persuade by force," Generalissimo Chiang Kai-shek of the Nanjing Government's Military Committee to stop the civil war and ally the Kuomintang with the Communist Party in resisting Japan. Thanks to the efforts of the CPC, of Generals Zhang and Yang, and of the faction within the Kuomintang advocating peace with the communists, Chiang Kai-shek finally accepted their just demand, and the incident was peacefully settled. Thus, events underwent a historical change facilitating the formation of the national united front against Japan based on the second-round cooperation between the Kuomintang and the CPC, and inspiring the War of Resistance Against Japan by the people of the whole country. A half century has passed since then, but until now the events surrounding the Xian Incident are still vivid in the Chinese people's memory.

The Xian Incident occurred at a time when the Chinese nation was in dire peril. In 1931, after instigating the "September 18th Incident," the Japanese imperialists invaded northeastern China and then carried out large-scale expansion in northern China. Beiping and Tianjin were in danger and the Chinese nation faced a critical moment.

However, the Kuomintang Government repeatedly compromised with and made concessions to foreigners and signed humiliating agreements with the Japanese aggressors, thus losing a vast area of our beloved motherland to the enemy. Moreover, opposing the people at home, the Kuomintang persisted in carrying out the civil war against the communists and the people and suppressed their patriotic activities against Japan. This could not but arouse the strong resentment and resistance of the people in the whole country. Despite protests by some Kuomintang troops in Shanghai, various towns along the Great Wall, northern Chahar, eastern Suiyuan, and other places, the Kuomintang's highest authorities continued to pursue their erroneous domestic and foreign policies. The CPC time and again appealed for stopping the civil war and beginning joint action against Japan, and put forward a correct proposal for creating a national united front against Japan. A mass movement to oppose Japan and save the country, comprising patriotic forces of all classes, quarters, political parties, and organizations, emerged and swept the country, fully manifesting the strong desire of the whole country for unity against foreign aggression. The Kuomintang ruling clique was divided. Enlightened by the mass movement, many patriotic Kuomintang officials and generals and people of insight protested the highest authorities' erroneous policies, and demanded a change of course. The struggle for the survival and liberation of the Chinese nation became an irresistable historical trend. The Xian Incident was a salient manifestation of this trend. Motivated by the overall national interest, Generals Zhang Xueliang and Yang Hucheng repeatedly demanded that Chiang Kai-shek change the erroneous policy of "stabilizing the country before resisting foreign aggression," and finally they were compelled to resort to "persuasion by force." In the wake of the incident and a nationwide call for peaceful settlement, Generals Zhang and Yang willingly made major compromises out of consideration for achieving national unity in the resistance against Japan. To facilitate the formation of the national united front against Japan, the CPC pledged to stop using force to topple the Kuomintang and recognized it as the ruling party. Overcoming factional resistance, peace advocates within the Kuomintang Soong Mei-ling and Soong Tse-ven did their part in bringing about the signing of the peace agreement; and Chiang Kai-shek finally faced up to reality and accepted the demand for an alliance with the communists in the resistance against Japan. All this demonstrates the patriotism of that "even brothers who quarrel at home should join forces to resist attacks from outside."

The historical significance of the Xian Incident can be explained in the light of the victory of the Red Army's Long March and the "December 9th Movement." In October 1935, after the central Red Army's triumphant arrival in northern Shaanxi, the CPC Central Committee, with its revolutionary base in northwestern China, began to display the vanguard role of the Communist Party and the Red Army in resisting Japan, and actively pursued the policy of forming a national united front. A Beiping students' movement launched on 9 December of the same year whipped up a new high tide in the nationwide people's struggle to resist Japan and save the country, and laid the groundwork for an all-people's War of Resistance Against Japan. Under the circumstances of that time, the key to smoothly carry out an all-people's War of Resistance Against Japan lay in a policy change by the top leaders of the ruling Kuomintang. The problem was solved in a unique way by the Xian Incident. These three successive historical events during 2 years in the 1930's were all important factors in changing China's course from a protracted civil war to a war by the people of the whole country against Japan. The Xian Incident was the key to completing this historical change. Owing to the Xian Incident and its peaceful settlement, the decade-long civil war was brought to an end, thus bringing about internal peace and facilitating the formation of the national united front and the War of Resistance Against Japan. Despite the twists and turns during the war of resistance, caused by the Kuomintang's continued anticommunist policy, the War of Resistance Against Japan was carried out persistently for 8 years until its victory. In this light, it is necessary to fully assess the important role of the Xian Incident in pushing modern Chinese history forward.

The peaceful settlement of the Xian Incident was the result of concern for the overall situation, of mutual understanding and accommodation, and of concerted action by all parties concerned in the interest of the nation. Years ago, the Kuomintang and the Communist Party were able to turn hostility into friendship and fight side by side in a war in order to save the country from danger. Today, why can't they bury their ill feelings and cooperate again for the sake of the reunification of the motherland and the regeneration of the Chinese nation? It is entirely against historical fact that some people in Taiwan should negate the historical significance of the Xian Incident and blame it as being the root cause of all the Kuomintang's mistakes. On the contrary, the Kuomintang's subsequent failure was caused, not by its cooperation with the Communist Party, but by its abandonment of such cooperation. History has repeatedly testified to the fact that cooperation between the Kuomintang and the Communist Party benefits the progress of the country as well as the development of the two parties themselves. It is obvious that Taiwan's only way out lies in the motherland's reunification, and that cooperation with the Communist Party is vital to the Kuomintang's future. The CPC has on many occasions put forward a series of principles and policies and made great efforts and concessions regarding this question. We sincerely hope that the Kuomintang authorities in Taiwan will weight the national interest above everything else and seriously consider their future by making a positive response. We also hope that the masses in Taiwan and the people of insight in various circles, as well as overseas Chinese, will make their share of contributions to the reunification of the motherland. We are convinced that the great undertaking of reunifying the motherland will certainly be accomplished through the active efforts of the sons and daughters of the people of all nationalities of China.

In commemorating the 50th anniversary of the Xian Incident, I extend profound respects, on behalf of the CPC Central Committee, to Zhang Xueliang and Yang Hucheng, two national heroes. Motivated by their utter devotion to the country and the people, they disregarded personal gain and safety by heroically staging the incident at a time when the country was in peril. To the people's distress, General Zhang Xueliang is still under house arrest today, and General Yang Hucheng's family of four has been murdered. They have made immense sacrifices. Their meritorious services to the Chinese people's liberation cause will go down in the annals of history. By carrying forward their patriotism, we will certainly inspire the sons and daughters of the people of all nationalities in China in striving for the reunification and prosperity of the motherland and the unity and progress of the people.

Gu Mu Addresses Reception

OW151303 Beijing XINHUA Domestic Service in Chinese 1608 GMT 12 Dec 86

[Text] Beijing, 12 Dec (XINHUA) -- The CPPCC National Committee held a reception this evening at the Great Hall of the People to welcome the guests from various circles in the capital and from abroad who had come for the commemoratory meeting to mark the 50th anniversary of the Xian Incident. Among those attending the reception were Xi Zhongxun, Song Renqiong, Liu Lantao, Zhu Xuefan, Ngapoi Ngawang Jigme, Chu Tunan, Gu Mu, Yang Jingren, Kang Keqing, Qian Changzho, Lu Zhengcao, Zhou Peiyuan, Burhan Shahidi, Qu Wu, and Lei Jieqiong.

State Councillor Gu Mu gave a toast at the reception. He said: A half century has elapsed since the Xian Incident, but its importance in modern history and the significant position it holds in people's minds have not diminished.

The direct consequence of the Xian Incident was the cessation of the decade-long civil war between the Kuomintang and the Communist Party and the formation of the anti-Japanese national united front, thereby laying the foundation for the unity of the whole nation in resisting external aggression and winning final victory in the War of Resistance Against Japan. Its more profound historical significance, however, lies in the spirit of national solidarity it embodied. That is, it showed that unity and unification are imperative if the Chinese nation is to become prosperous and strong and to stand independently among other nations in the world. We must strive to carry forward this spirit and bring about the reunification of the two sides of the strait.

Gu Mu said: Today, with a feeling of high respect, we cherish the memory of the two pioneers who contributed significantly to the unity of our nation 50 years ago, Generals Zhang Xueliang and Yang Hucheng. What they did for our nation will remain forever in the annals of history as exemplary deeds for those of later generations to emulate.

RENMIN RIBAO EXAMINES ENTERPRISE FUNDING

HK170823 Beijing RENMIN RIBAO in Chinese 12 Dec 86 p 5

[Article by Zeng Kanglin (2582 1660 7207): "An Analysis of Insufficient Funds at Enterprises Disposal"]

[Text] Attention Should Be Paid to the Transformation Relationship Between Funds at the Disposal of Enterprises, and Profits [subhead]

In recent years, circulating funds at the disposal of state enterprises have drastically decreased. The principle reasons for this are that: First, circulating funds at the disposal of enterprises have been wantonly nibbled at by material losses; second, circulating funds have rarely been replenished in recent years; and third, the funds have been turned into profits.

The prices of the means of production have risen over the past few years. The rising prices affect the use of circulating funds in two ways: 1) They call for additional currency capital. If an enterprise derives its currency capital chiefly from bank credits, it will have to obtain more credits. 2) They will create a false impression of increased goods in stock. The goods in stock increase slightly or do not increase at all but the price increase or increases considerably. If, due to rising prices for goods of the same kind on the market, or adjusted state unified prices, the prices of the goods in stock increase, this will yield two results: First, the price rises can be used to increase funds at the enterprise's disposal; second, the price rises can be used to increase profits. In the latter case, it will reduce circulating funds at the enterprise's disposal, making it impossible for enterprises to buy the same quantities of goods with the same amount of money, and creating false financial income. That is to say, the increased financial income comes from "past gains" and not from newly created value or increased products. This will eventually force the banks to make up the deficit in circulating capital with more credits.

In the past, we paid more attention to analyzing the relationship between cost and profit than between capital and profit. In fact, capital and profit can interchange, a fact that existed long ago in economic life. With the cost as a medium, that is, by increasing the cost, profit can be turned into capital; by reducing the cost, capital can also be turned into profit. With cost as a medium, capital and profit can interchange. This is because capital, cost, and profit are all forms of product value. [paragraph continues]

The forms of product value consist of the compensated value and the value of surplus products (M). Given the definite value of products, an increase in the compensated value represents a decrease in M or vice versa. Moreover, the compensated value has a dual character. It is capital in the sense of possessed labor and cost in the sense of labor consumption. Since possessed capital is subordinate to capital consumption, capital consumption becomes cost. Therefore, we can falsely increase or reduce consumption by artificial means. As a result, capital, the compensated value can intercharge with M as profit. By defining the relationship between capital, cost, and profit in theoretical terms we can enhance the consciousness and initiative of the financial, banking, and taxation departments in management practice.

It Is Necessary To Pay Attention to the Effect of Insufficient Funds at Enterprises' Disposal [subhead]

Capital at enterprises' disposal should include both fixed and circulating capital. However, when studying the question of what proportion of capital at the disposal of enterprises will be most beneficial to independent operations and those with sole responsibility for profits and losses, we should not include all fixed and circulating capital at the enterprises; but disposal should distinguish between operational and nonoperational funds. The so-called operational funds refer to funds actually participating in the production process of an enterprise during a certain period. Generally speaking, they are composed largely of circulating capital and, to a smaller extent, fixed capital. The operational funds may come from financial allocations, bank credits, advanced payments for goods, funds borrowed from other departments or enterprises, and even from accumulation. In short, they are made up of officially-owned and borrowed capital. An increase in the former means a decrease in the latter. If the operational funds come chiefly from credits which exceed the normal proportion, it will have the following effects on the normal proportion, it will have the following effects on the enterprises concerned. 1) It will increase the enterprise's burdens and reduce profits because an increase in borrowed funds will increase interest payments. 2) It will weaken the enterprise's capability to operate independently and to assume sole responsibility for profits and losses. 3) It is detrimental to the development and transformation of enterprises. The development of science and technology and changes in market demand make it necessary for enterprises to have the capability to meet emergencies in production and operations. The extent of this capability finds expression in time and efficiency. In a competitive commodity economy where only the best can survive, whoever is the first to develop new products, promptly popularize new technology, and take the initiative in utilizing new equipment, will be the first to occupy the market. Whoever wants to achieve all this must have ample funds. If an enterprise does not have any or sufficient funds at its disposal, and if it chiefly or wholly relies on borrowed funds to develop new products, popularize new technology, an utilize new equipment, it is difficult to achieve all this. 4) It is detrimental to tapping fund potential within the enterprises. If an enterprise does not have sufficient funds at its own disposal but chiefly relies on borrowed funds to engage in production and operations, the first thing that comes to mind when it needs funds is to obtain bank credits and not to tap the fund potential within the enterprise, turning the nonoperational funds into operational ones.

Taken as a whole, if an enterprise does not have sufficient funds at its own disposal, and if the borrowed funds exceed the normal proportion, this will also have the following effect: 1) It will be detrimental to controlling the scale of investment in capital construction. Why do we fail to reduce investment in capital construction? One of the reasons is that circulating capital has been diverted to capital construction projects. We have been short of circulating capital over the past few years. [paragraph continues]

This is not because we have not supplied a sufficient amount of circulating capital, but chiefly because capital construction and technological transformation account for a considerable amount of the circulating capital. As a result, there is a gap in circulating capital, making it necessary for banks to grant credits. The reason for this is that we do not pay attention to replenishing the operational funds at the disposal of enterprises, but derive most of the operational funds from credits. 2) It is detrimental to the bank credit financing. Under the system of socialist public ownership in our country, most of the state enterprise's operational funds come from long-term bank credits. This state of affairs has resulted in bank credits not being repaid. Usually, the function of bank credits is to finance, and the banks adjust the supply and demand of currency through financing. If enterprises use bank funds over a long period, the bank money will belong to the enterprises. We cannot begin to talk about adjusting, and it will be difficult to adjust currency supply and demand through financing. If the banks cannot adjust currency supply and demand through credits, it will be difficult for them to realize the currency state policy. Therefore, if we do not pay attention to replenishing a certain amount of funds at the disposal of enterprises, and if we allow the enterprises to use bank credits over long periods, it will impair the effectiveness of the state currency policy. 3) It will not help reduce the debts owed to one another. In recent years, following a decrease in officially owned capital, arrears in payment among enterprises have become serious. The trend of increased arrears of payment syncronizes with the trend of decreased funds at the disposal of enterprises. If an enterprise has little funds at its disposal, the debt it incurs from the purchase of goods will be huge. Usually, the amount of officially-owned funds does not have a natural link with outstanding debts from purchases of goods. However, given the existing fund management structure in our country, and under the condition whereby the function of interest as a lever is still largely restricted, less funds at enterprises' disposal will lead to more employment of other people's funds. This can be regarded as an abnormal situation that has cropped up in the course of reform.

In short, it is necessary to attach great importance to the effect of insufficient funds at the enterprises' disposal. If we do not pay attention to replenishing the operational funds we in fact permit the practice of "everybody eating from the same big pot" to prevail in the relations of enterprises to state.

Improve the System of Replenishing Funds at Enterprises' Disposal [subhead]

China's banking department has stipulated that an enterprise should possess a certain amount of officially-owned funds before it can obtain credits. It is 30 percent for industrial enterprises, 20 percent for wholesalers, and 60 percent for retailers. If an enterprise having an insufficient percentage of officially-owned funds wants to obtain credits, it can be treated as a special case. What is the theoretical basis for stipulating different percentages? What we should first study is the factors determining the amount of operational funds at the disposal of enterprises. These factors are: 1) The development of the money market. The money market is a place for currency financing. Generally speaking, in places where the money market is developed, enterprises have greater possibilities to raise operational funds and therefore may have less operational funds at their disposal; in places where the money market is underdeveloped, enterprises should have more operational funds at their disposal. 2) The length of the production process. Given a certain interval between the manufacture of products and the receipt of sales income, it is necessary to put in additional currency capital as needed. Moreover, the longer the production process, the greater the possibilities that the prices of raw materials will fluctuate and the greater the risk of achieving product sales. [paragraph continues]

Therefore, generally speaking, an enterprise with a longer production process has to raise more operational funds at its disposal; an enterprise with a shorter production process needs to raise less operational funds at its disposal. 3) The organic composition of capital. An enterprise with a higher organic capital composition needs more operational funds and a larger proportion of officially-owned operational funds, while an enterprise with a lower organic capital composition may have a smaller proportion of officially-owned operational funds. 4) The product mix. Usually, an enterprise turns out and sells many product, and not just one. Some products are sold in large quantities, others in small ones. Under these circumstances, different enterprises have different patterns of production and sales. Generally speaking, an enterprise with a relatively unitary product mix should have a large proportion of officially-owned operational funds because it can exercise little choice in raising funds. On the contrary, an enterprise with a diversified product mix may have a smaller proportion of officially-owned operational funds because it can exercise greater choice in raising funds. 5) The profit percentage of operational funds has more possibilities to accomondate borrowed capital, and therefore can have less operational funds at its disposal; on the contrary, an enterprise with a lower profit percentage of operational funds has less possibilities to accomodate borrowed capital, and therefore should have more operatinal funds at its disposal. 6) The profit percentage of the sales income. Profit should be divided into taxes delivered to the state and profits retained by enterprises. In the interval before profits are delivered to the state, an enterprise may use some of the profits as currency capital. For this reason, an enterprise with a high profit percentage of sales income may have a smaller proportion of officially-owned operational funds; conversely, an enterprise with a lower profit percentage of sales income should have a higher percentage of officially-owned operational funds. Since the operation funds at the disposal of an enterprise are affected by different factors, there is a theoretical basis for determing the proportions of capital at the disposal of different enterprises under different environments. We should establish and develop theories in this field.

The question of circulating capital should be tackled in a comprehensive way. It is necessary to make clear ideologically that additional circulating capital is a part of society's accumulation funds. In distributing the society's accumulation funds, we should not only contribute to the accumulation of fixed assets, but also give due consideration to the accumulation of circulating capital. If the proportional relationship between the two is not handled properly, it will result in a shortage of circulating capital, and hamper the normal progress of social reproduction. Measures should be taken to establish a compensation system for circulating capital. It is necessary to turn some enterprises profit into capital, and not the other way round. Organizationally, it is necessary to place investment in fixed assets for new projects and circulating capital under the unified management of a department (such as the Construction Bank) and, while making arrangements for investments in capital construction, to plan and prepare the necessary circulating capital. In tems of policy, we should institute a responsibility system for properly management and, while keeping state property intact, allow enterprises concerned to increase their assets and to link up their assets with their material interests, so that the operators and managers can share the benefits, as well as the risks, of running economic entities.

RENMIN RIBAO ON BOURGEOIS CIVILIZATION

HK161446 Beijing RENMIN RIBAO in Chinese 15 Dec 86 p 5

[Article by Zhou Xiuqiang (0719 0208 1730): "Approach Correctly the Civilization Created During Bourgeois Rule"]

[Text] "The Resolution of the CPC Central Committee on the Guiding Principles for Building Socialist Spiritual Civilization" clearly points out: "As a basic unalterable state policy, opening up to the outside world applies to our efforts to build spiritual civilization as well as to our work of building material civilization." This is a significant point which will help some people correct their confused ideas. At present some of our comrades have not yet been convinced of this viewpoint; and some foreigners hold that China's opening is merely an expedient and that China will close her door again some time later. Such misgivings are mainly derived from these people's lack of an all-round understanding of China's social, economic, and political situation. Opening to the outside world is not an idea of any single Chinese leader, prompted by a sudden impulse; instead, it is a major policy decision made on the basis of a thorough knowledge of historical inevitability.

So far, world civilization is being developed on the basis of more and more frequent, closer and closer contacts between various nations. It is impossible for a country to develop and make progress without learning from and absorbing other countries' advanced civilization. National seclusion and isolation will only throw a country into a passive and vulnerable position and make it lag far behind world progress. In order to thoroughly change our country's backward condition in the economic, scientific, and technological fields, we must, on the basis of independence, self-determination, and self-reliance, orient ourselves to the world and actively absorb the outstanding achievements of world contemporary civilization, while continuing to carry forward the fine cultural tradition of the Chinese nation and the Chinese revolution. It is on the basis of our understanding of history, present conditions, and development trends that we formulated the policy of opening up to the outside world and take it as a basic unalterable state policy.

Real life has posed for us an urgent theoretical issue; How should we approach the human civilization created during bourgeois rule? Are all the discoveries and creations of mankind in that period owned solely by the bourgeoisie?

To answer this question correctly, we should first look at the history of development of human civilization.

Human history is also the history of the development of civilization. Mankind creates its civilization in all the different historical stages. With continuous accumulation, an endless flow of human civilization is being formed in history. The civilization of any historical stage is certainly built on the foundation of the civilization formed in previous historical stages. The civilization of a particular historical stage reflects the level of mankind's capacity for understanding and transforming man's relations with nature and human society in that period. This capacity for understanding and transforming is built jointly by all human beings, rather than solely by the people in that specific period. Of course, the civilization of any historical stage is unavoidably subject to the limitations of the times and is unavoidably stamped with the brand of the ruling class in that period. These limitations and brand have different degrees of influence on civilization in different fields. Here, we may try to analyze the civilization created in the period of bourgeois rule.

Marx and Engels wrote in the "Manifesto of the Communist Party": "The bourgeoisie, during its rule of scarce 100 years, has created more massive and more colossal productive forces than have all preceeding generations combined." ("Selected Works of Marx and Engels", vol 1 p 256) Here, Marx and Engles compared the capitalist period with the pre-capitalist period, so they said that the productive forces were created in the period of bourgeois rule. In fact, the productive activities in the period of bourgeois rule were never the exclusive activities of the bourgeoisie. Without the labor of the proletariat and the contributions made by scientists, skilled workers, and other people, could the bourgeoisie have created such massive productive forces? At the same time, we must also notice that the development of the productive forces in the period of bourgeois rule is also based on the foundation of the social productive forces accumulated in the pre-capitalist period. Mankind's material civilization at any historical stage cannot be separated from the civilization built in the previous stages, but can only be built on the foundation of the civilization of the previous stages.

The advanced sciences, technologies, and equipment developed under capitalist conditions and the production organizational forms and management methods of capitalism are all the achievements of civilization jointly created by all mankind in the process of the practice of production. These things themselves do not bear any class character. As Comrade Deng Xiaoping said, "these things cannot be labeled as capitalist things. For example, technologies and production management are all sciences, which are useful in any country and in any society. We learn the advanced technology, science, and management skills to serve our socialist cause, and these things themselves do not bear any class character." ("Selected Works of Deng Xiaoping", p 310) We should note that the advanced technologies and management skills themselves reflect some common regularity of modern socialized production, and that they meet the needs of highly developed commodity economy, so they must be followed and used by all classes and all countries. Of course, the bourgeoisie use these technologies and management methods to serve their purpose of exploitation; for us, we should use them to serve our socialist modernization and to develop our socialist commodity economy. In this regard, Lenin set a good example for us. Lenin made a brilliant comment on the Taylor system after analyzing it. He said that the Taylor system "on the one hand, is the most ingenious means of cruel exploitation for the bourgeoisie; on the other hand, it is also the richest achievement of science. On the basis of scientific analysis of man's mechanical actions in the process of work, it discards redundant, clumsy actions and formulates the most accurate work procedures, and makes perfect calculation and carries out a supervisory system." Then he reached this conclusion: "We should study and spread the Taylor system in Russia too, carry out this system in a systematic way, and adapt it to our needs." ("The Present Tasks of the Soviet Regime," "Selected Works of Lenin", Vol 3, p 511)

We should not regard the creation of material civilization in the period of bourgeois rule as peculiar to the bourgeoisie, nor should we regard many things in the political field as such. Some specific systems and concepts developed in the period of bourgeois rule naturally suit the needs of the bourgeoisie. At the same time, they also reflect people's understanding of, and demand for, the handling of interpersonal relationships in this historical stage of human development. Universal suffrage is a case in point. Universal suffrage means that all citizens universally take part in the election of the organs of state power. The slogan "universal suffrage" was a political slogan raised against feudal autocracy in the bourgeois revolutionary period. After establishing its own rule, the bourgeoisie set numerous restrictions on the qualifications of the electors and the elected, such as race, property, and length of residence, turning it in reality into "limited universal suffrage." This is quite peculiar to the bourgeoisie. However, the proletariat does not discard it just because the universal suffrage practiced by the bourgeoisie has its limitations. On the contrary, the proletariat should abandon only its limitations and should more fully develop its democratic character.

The first political power established by the proletariat -- the Paris Commune -- employed universal suffrage. Our country's organs of power at all levels are also established on the basis of universal suffrage.

Here, the questions of freedom and democracy have occasioned the greatest confusion. Freedom and democracy are progressive slogans raised by against feudal autocracy bourgeois enlightened thinkers. For a fairly long period, we have regarded freedom and democracy as the exclusive slogans of the bourgeoisie. This is quite inappropriate. It should be noted that the raising of the slogans of freedom and democracy represents a great emancipation of the human spirit. Freedom and democracy have played a tremendous role in the struggle against feudal autocracy. The bourgeoisie also consistently used the slogans of freedom and democracy in its struggle for liberation. After establishing its own rule, the bourgeoisie adopted various measures to restrict people's freedom and democracy. These are the limitations introduced by the bourgeoisie in an attempt to consolidate and expand its exploitation and rule. However, we should not for this reason negate freedom and democracy, still less should we regard them as the private property of the bourgeoisie. We should never submissively hand over the slogans of freedom and democracy to the bourgeoisie, but should hold higher the banners of freedom and democracy. History has proved that only socialism has opened the way for the broadest masses of the people to genuinely and fully enjoy the rights of democracy and freedom. Socialism should relinquish only the fetters imposed upon democracy and freedom by the bourgeoisie. The people's democracy is linked to the establishment of the socialist system. Having been subject to feudal rule for thousands of years and reduced to a semicolonial and semifeudal society in modern times, our country is burdened with the heavy baggage of feudalism. It will inevitably take a very long time to build socialist democratic politics on such a basis. Moreover, since the founding of the PRC, and particularly since the basic completion of the socialist transformation of ownership, the serious broadening of the scope of class struggle and the overconcentration of power in the leadership structure have delayed the process of democratic development. Since the 3d Plenary Session of the 11th CPC Central Committee, our party has summed up the historical lessons, resolutely overcome the personality cult, redressed unjust, false, and wrong cases, abolished the system of life tenure for leading cadres, and improved the political life of the party and state. The political report of the 12th CPC National Congress has even listed the building of a high degree of democracy as one of the objectives of our struggle. An aim of the reform of the political structure is also to extend socialist democracy. As Comrade Deng Xiaoping put it: "Without democracy there can be no socialism and no socialist modernization. Of course, democratization, like modernization, must advance step by step." ("Selected Works of Deng Xiaoping," p 154) We should institutionalize democracy and, while promoting socialist democracy, improve the socialist legal system.

The thought and culture of the capitalist world have for quite some time been viewed by some people as "fierce floods and savage beasts." The slogan of "fostering proletarian ideology and eliminating bourgeois ideology" has been in vogue for a considerable period of time and its influence can still be felt up to this day. In reality, completely rejecting the thought and culture created in the capitalist epoch as decadent things is on no account a Marxist approach to things. This is because in the ideological and cultural fields, the historical continuity of human knowledge can be so clearly seen. When mankind entered the development stage of capitalism, although many of the concepts, ideas, and theories advanced by bourgeois thinkers reflected the interests and demands of the bourgeoisie, they simultaneously reflected the level of understanding of human development. Therefore, those concepts, ideas, and theories are not only the spiritual wealth of the bourgeoisie, but also part and parcel of the spiritual civilization of mankind. [paragraph continues]

Engels said: "The ideologist who deals with history (history is here simply meant to comprise all spheres -- political, judicial, philosophical, theological -- belonging to society and not only to nature) thus possesses in every sphere of science material which has formed itself independently out of the thought of previous generations and has gone through its own independent process of development in the brains of these successive generations." ("To F. Mehring," "Selected Works of Marx and Engels," Vol 4, p 501) Marxism is the world outlook of the proletariat and its revolutionary theory. Therefore, it must be a science of the strongest class character. However, the establishment of Marxism is the result of critically inheriting the most valuable substance of the theories created by bourgeois thinkers. When mercilessly criticizing "proponents of proletarian culture," Lenin said: "Marxism has won its historic significance as the ideology of the revolutionary proletariat because, far from rejecting the most valuable achievements of the bourgeois epoch, it has, on the contrary, assimilated and refashioned everything of value in the more than 2,000 years of the development of human thought and culture." ("Selected Works of Lenin," Vol 4, p 362) We must learn from the analytical attitude adopted by Marx, Engels, and Lenin toward the thought and culture created under capitalism. We must assimilate all things beneficial to us and reject only things that are decadent.

Correctly treating the civilization created in the epoch of bourgeois rule is an important condition for building socialist spiritual civilization in our country. The "Resolution of the CPC Central Committee on the Guiding Principles for Building Socialist Spiritual Civilization points out: "We must resolutely reject the capitalist ideological and social systems that defend oppression and exploitation, and we reject all the ugly and decadent aspects of capitalism. Nevertheless, we should do our utmost to learn from all countries, including the developed capitalist countries, to acquire advanced science and technology, universally applicable expertise in economic management and administrative work, and other useful knowledge, and to verify and develop in practice what we have learned. Otherwise, we shall remain ignorant and unable to modernize our own country." This provides us with a basic principle for correctly treating the civilization created in the epoch of bourgeois rule. So long as we follow this principle, work hard to master the tremendous achievements of civilization of the present-day world, and verify, refashion, and develop in the practice of our national construction, we will be able to lift our country out of backwardness and build it into a highly civilized and democratic socialist modern country as quickly as possible.

COMMENTATOR CRITICIZES 'CONNECTION NETWORKS'

HK160823 Beijing RENMIN RIBAO in Chinese 10 Dec 86 p 1

[Commentator's article: "Eliminate the Connection Network"]

[Text] The "connection network" is a public scourge which harms the society. A case of a "connection network" involving Li Guihai of Hebei's Gaoyi County has again proved that in places where "connection networks" exist, comradely relationships between people are distorted, and the party's principle is undermined. Illegal and criminal activities such as injuring the public interest to benefit private interest, taking bribes and bending the law, and others are rampant. Such "connection networks' are a catalyst for unhealthy trends, and a shelter and an umbrella for illegal and criminal activities.

What is "connection network" It is difficult to give it an accurate definition. Generally speaking, it means that a number of people inside and outside the party, who are ideologically impure and pursue unhealthy trends, abuse their power, collaborate and held each other seek political and economic interests for individuals and small groups. [paragraph continues]

Over a comparatively long period of time, they establish personal and social relations somewhat like a network. On the surface, such a "connection network" is loose and invisible. However, due to the fact that it is an axis of power, and signifies relations of vested interests based on combination of power and private interests, once it is established, it is fairly staunch and obstinate, and powerful to a certain extent. It is not easy to smash and destroy it.

"Connection network" is a feudal-patriarchal mentality, which means the revival of the residue of the petticoat, or apron-string influence. "When husband is in a high postion, it brings honor to his wife," "When father is in a high position, it also brings honor to his sons," and "When a man gets to the top, all his friends and relations get there with him." This is the first characteristic of a "connection network." Making use of the relations between leaders and subordinates, between schoolmates, between townsmen, between colleagues, and relations between persons of the same trade or occupation, some people form cliques and factions and carry out sectarian activities in order to support and protect each other. This is the second characteristic of a "connection network." Some people attach importance to the "study of connection" at the expense of party principle, law and discipline. "Three official seals are less powerful than a townsman relationship." Within the sphere of "connection networks," all things can be done even if they should not be done. Outside of "connection networks," nothing is done even if it should have been done. This is the third characteristic. In addition, within "connection networks," the law of exchange generally works. In other words, today you abuse your power to help me seek private gains. Tommorrow, I will "give you a plum in return for a peach." I will also abuse my power to help you seek private gains. The practice of exchanging power for goods, exchanging goods for power, and exchanging power for power and goods for goods is extensively pursued and injures the public interest to profit the private interest, and lines one's pockets with public funds. Therefore, the "connection network" is a mixed product of the feudal dross and out-and-out egoism of the bourgeoisie.

The masses hate "connection networks" very much. The prevalence of "connection network" is a mark indicating corruption of the society. It is time for us to exert conscientious efforts to do away with "connection networks!" The "connection network" is, in essence, a "network of power" that involves a series of questions. It is fairly difficult to break the network. Party committees at all levels should learn form Hebei CPC Committee, and the Gaoyi County CPC Committee. They should be determined to launch a forceful attack and break the network collectively. Only thus will the masses inside and outside the party be confident of their victory, organize, and take actions effectively to "thoroughly break" the "connection network."

We should smash the basis and soil of "connection networks," make unremitting efforts to overcome ideological, political influence of feudalism, put forth strength to do away with bureaucracy, and correct the defect of the overconcentration of power. In particular we should pay attention to carrying forward socialist democracy, putting leading cadres at all levels under strict and effective supervision, and doing well political structural reform so that the people will truly enjoy the rights of participating in and discussing political matters, developing democratic management, and carrying out democratic supervision.

The "connection network" runs counter to the common aspiration of the party and the people. It is only natural that it is cast aside by the people. It is time for us to break the "connection network," which can be broken!

JINGJI RIBAO ON CURRENT STAGE OF PRC SOCIALISM

HK111041 Beijing JINGJI RIBAO in Chinese 3 Dec 86 p 3

[Article by Liu Zhanchang (0491 0594 2490): "Starting Point for China's Socialist Construction -- first paragraph printed in boldface]

[Text] Along with the practice of socialism, people's theoretical understanding of socialism is also developing. In which stage is China's socialism at present? The Chinese theoretical circles have been hotly debating this question and some of the viewpoints raised in the course of the debate have been subject to unfair treatment. Nevertheless, we have now gained a fairly unified understanding. Naturally, this does not mean the end of the exploration. It can be said, however, that affirming that China is in the "initial stage of socialism" will help us define the starting point for China's socialist construction.

In defining its general principle and general task for a given period and working out its strategy for economic, political, and cultural development, a nation or a political party should always have a precondition, that is, it should soberly, clamly, and scientifically grasp the historical period of the society and make clear the social nature of the state. In the period of China's democratic revolution, it was precisely because the CPC had defined the semifeudal and semicolonial nature of the Chinese society at that time and obtained the fundamental basis for solving problems in the Chinese revolution that it could accurately define the targets and tasks of the revolution then successfully complete the tasks of the New Democratic Revolution.

However, after entering socialism, we repeatedky made erroneous judgements about the stage and nature of our society. In the late fifties, we were so eager to enter communism that we stirred up a "communist wind," thus affecting the development of the national economy. The mistake was rectified afterwards but we did not conscientiously eliminate its influence in theoretical terms. As a result, during the "Great Cultural Revolution," we again repudiated the principle of distribution according to work as a "bourgeois right," effected "two thoroughgoing ruptures," vigorously criticized the "theory of productive forces," and undertook a "poor transition." It was not until the 3d Plenary Session of the 11th CCP Central Committee, after we conscientiously summed up lessons and experiences and scientifically analyzed the historical stage of our society, that we discarded the theory of "taking class struggle as the key link" and shifted the focus of the work of the party onto economic construction.

We have failed to make a correct appraisal of the stage of socialist development because, in theory, we have for a long time mechanically applied the socialist pattern envisaged by Marx and Engels to the current practice, which has resulted in a series of erroneous understandings. In reality, socialism as envisaged by Marx and Engels has not emerged. Our country and most of the socialist countries in the world have evolved from the "weakest link in imperialist chains." Most of them are economically backward countries with quite a concentration of various contradictions. Founded under such conditions, socialism possesses some basic features considerably at odds with those of the socialist pattern envisaged by Marx. Therefore, putting such a pattern into effect has resulted in a "common failing" characterized by workers' weakening enthusiasm, poor product quality, startling waste, and poor economic results. In practice, the cause for the mistakes is that building socialism is a new thing of which we have no previous experience. Another important reason is that having regarded the traditional socialist theory as an objective, we are prone to giving way to impatience, confusing fond aspirations and objective reality and engaging in some unrealistic practices.

Then, how should we approach the features of socialism in its initial stage?

First, generally speaking, our socialism has just evolved from the semifeudal and semicolonial society. China has been a feudal society for thousands of years. For this reason, the old vestiges of the feudal society still exist in many aspects. Economically, the natural economy and small production characteristic of the feudal society has not been completely replaced by mass mechanical and socialized production; the commodity economy is still underdeveloped; a scientific system of operation and management has not been established; the level of our productive forces is still low; labor is still a very hard and unprofitable job; and the material interest of individuals is still placed in a very conspicuous position. Politically, we have highly concentrated centralism, an unwieldy organization, bureaucratism, feudal privileges, and a patriarchal system, but lack political democracy. Along with this, there are defects in social and cultural ideas, such as contempt for commerce, patriarchal clannishness, hierarchy, privileges, self-satisfied small production mentality, and a sene of inferiority, but there is a lack of self-conscious and competitive ideas. Revived and developed during the decade of "Cultural Revolution" and, in fact, under the banner of socialism and communism, the feudal dross of the old society has discredited socialism.

Second, economically, politically, and culturally, our new social relationship has been provided with socialist factors. We should vigorously support and develop them because this is our fundamental task. Meanwhile, we should also see that some elements transcending the socialist form and the initial stage of socialism will also spontaneously emerge. There have been numerous lessons in this respect. Due to the lack of experience, putschism and dogmatism are prone to occur in the initial stage of socialism. Therefore, at no time should we rashly announce that we are making a transition to the next stage. Instead, we should realistically do a good job of our present construction.

In view of the features possessed by the initial stage of socialism, the 6th Plenary Session of the 12th CPC Central Committee pointed out that our construction task in the current stage is to vigorously develop the productive forces, to build our country into a strong, modern socialist country, and to create conditions step by step for the completion of socialism and the ultimate realization of communism. In order to develop the productive forces, it is necessary to have an economic, political, and cultural system suited to the development of the productive forces at the present stage. Based on this understanding, in reforming the economic and political structures, we should reform the relations of production and the superstructure not in keeping with the development of the productive forces at the present stage, seek the mode of production, the forms of ownership, and the methods of operation and management suited and conducive to the development of socialism in the initial stage, and probe the pattern of political power and organizational structure suited and conducive to the development of socialist in the initial stage. Meanwhile, it is also quite necessary to overcome the old feudal concepts and to foster new concepts suited to the initial stage of socialism.

GUANGMING RIBAO VIEWS ENTERPRISE REFORM

HK170301 Beijing GUANGMING RIBAO in Chinese 6 Dec 86 p 3

[Article by Zhang Duo (1728 6995): "A Brief Discussion on the Orientation of Reform of State-Owned Enterprises"]

[Text] People have lately put forward various views on the orientation of reform of state-owned enterprises, among which, the most representative ones are the "joint-stock system" and the "property management responsibility system." [paragraph continues]

In this article, I will try to give some of my superficial opinions on these views and new choices.

The Implementation of the Joint-Stock System Cannot Solve the Principal Problem of Enterprises [subhead]

One of the main views at present is to transform state-owned enterprises into joint-stock enterprises. The main reason that people are so interested in the question of the joint-stock system is that people want to enable the staff and workers of the enterprises to become the direct owners so as to strengthen the property concept within the enterprises and correct the ultra-short-term behavior of the enterprises through the implementation of the joint-stock system, and at the same time, absorb the management experiences of western joint-stock companies. This will separate the ownership from the management right of the enterprises and separate the government's functions from those of the enterprises.

The joint-stock system is quite effective in raising funds and inducing the staff and workers to show concern for the development of their enterprises. According to the economic conditions of our country, it is right to adopt the joint-stock system in a certain area and to a certain extent. However, as far as the principal body of our country's economy is concerned, we must carefully ponder the question of whether to adopt the joint-stock system or not. The first question we must answer is how we should carry out the transition from the present enterprises to the joint-stock enterprises. It is obviously unrealistic to adopt the method of subscribing for shares. This is because most of the consumer savings of the citizens will not be spent on the purchase of shares. According to the relevant investigations, only a few people are willing to buy shares (only two percent of those questioned were willing to use their consumer savings to buy shares). If the state-owned property is to be evenly distributed among the staff and workers of the enterprises, the question of a rational transfer of ownership will certainly be raised. Besides, we need to analyze whether the implementation of the joint-stock system will help to solve the major problems faced by the enterprises at present. The joint-stock system will also inevitably be restricted by the socialist nature of the enterprises and the objective mode of the planned commodity economy. We could hardly imagine such a situation in which the whole or most of the property of the enterprises would be privatized through the private possession of the enterprise shares. Even when all the enterprise property is owned by the staff and workers and every one in a certain enterprise feels that he is the "owner" of the enterprise, people will still pursue their direct personal interests in their collective behavior. This situation has long been proved by the behavior of the collectively-owned enterprises.

The joint-stock ownership finally emerged as a result of the long-term competition and selection in the capitalist society. However, the joint-stock ownership is restricted by the distribution system in the whole society, particularly the financial distribution system, personal incomes and so on. Our country's present distribution system, financial system, personal incomes, etc., can only provide a very limited basis for the implementation of the joint-stock system, so it will be unrealistic to suddenly bring the principal body of our economic life onto the orbit of the joint-stock system.

The "Property Management Responsibility System" Cannot Be Regarded as the Final Goal [subhead]

Some people have proposed the idea of a property management responsibility system by drawing on experiences gained in implementing the agricultural system of contracted responsibilities with payment linked to output. [paragraph continues]

The so-called property management responsibility system approximately comprises "property assessment, profit distribution, and management responsibility" and some other aspects. The aim of property assessment is to determine the "actual efficacy" of the present enterprise property, which will then "be undertaken by the enterprises through inviting tenders." The state will use its "legal ownership" of the means of production to decide the percentage of the profits of the enterprises to be turned over to the state and "share the profits of the state-owned funds." The enterprises have the economic decisionmaking power in using their property and thus they are legally held responsible for the use of the state-owned funds.

The motive of this idea is to solve the problem of soft restrictions and the problem of "eating from the same big pot" in the socialist enterprises, and bring the integrity of enterprise property and enterprise increment into line with the tenure goal through the above mentioned measures so as to "protect the interests of the owner of the enterprises" and "give the enterprise operators more space to carry out their activities." However, such an idea has, at least, the following defects: First, the interests of the enterprise owner in microeconomic relations are not represented. The property management responsibility system is, in fact, a form of contracted operation, that is, the responsibility of enterprise operators is determined by tenders submitted by the enterprises or individuals and the state. In fact, this contracted operation has many contradictions and problems such as: How to scientifically determine the property efficacy of enterprises? How to guarantee the estimated future profit? How to clearly predict the subjective and objective factors which will affect the estimated future profit? Whether the contractors have the ability to pay for the losses of the enterprise operation? and How to rationally distribute enterprise profits to the contractors? All these are the realistic questions for which solutions are difficult to find. Apart from these problems, in the above-mentioned contracted operation, the purpose of the contractors is still to seek the biggest profit through the enterprise property. The contractors will try their best to ask for fewer contracting quotas and seek the biggest profit through various means. Second, compared with the practice of paying taxes according to the state-fixed rate, this method is a retrogression because here, the state needs to frequently discuss its share of the enterprise profit with the enterprises, thus leaving hidden trouble in the relations between the state and the enterprises with regard to distribution. Originally, this problem is the one we should first solve in the reform. However, the contracted operation still cannot get rid of the perplexity of this problem.

We all know that because of the change of the enterprise operation environment, the enterprises will inevitably come across depression. When this situation happens, will we consider the operation of the enterprises which are unable to turn over part of their profit to the state as a failure or will we change the contracting standards? (In reality, it is very difficult to draw a clear line of demarcation between the two.) The complexity of these problems will make people unable to arrive at a clear-cut conclusion either through the contracts prepared in advance or through the examination after the event so that people will not have a scientific standard to refer to in the process of enterprise profit distribution. In fact, even in western society, which has a perfect market system and a fairly rational price system, it is still difficult for the enterprise owners to decide on a clear-cut profit quota for the enterprise operators and determine the success or failure of the enterprise operators according to the quota. The formation of this idea itself has not taken into consideration the perplexity of the market needs and the impact the market needs have on the enterprises, so this idea cannot be regarded as the final goal of our reform.

The New Choice: The Operation Trusteeship [subhead]

The reform of the microeconomic relations must be centered on the present problem of the enterprises, that is, the problem of enterprises being unable to rationally distribute and use their property and surplus products. This will directly touch upon the interests of the state and the interests of the staff and workers of the enterprises. For this reason, the decision-making will of the enterprises will naturally be the agreement between both sides. The enterprise economic relations re-established according to this principles are:

(1) The ownership of the state property is exercised by the "trustees" appointed by the state. The trustees are respectively sent out by the original responsible organs and banks and are in turn responsible to the organs and banks which sent them. These trustees will form a tripartite enterprise board of directors with the representative of the rights and interests of enterprises. The enterprise board of directors will exercise control over the enterprise property. The enterprise board of directors is the supreme decisionmaking organ in the enterprises.

(2) The enterprise board of directors will employ professional managerial personnel who will be responsible for organizing the daily production and operation of the enterprises. The managers will be responsible to the board of directors while the board of directors will restrict and encourage the behavior of the managers according to the principle of "expanding the enterprise operation."

(3) The enterprises no longer directly belong to the administrative departments. The administrative departments can only exercise "limited control" over the enterprises through the "trustees." As economic organizations, the enterprises can only operate in accordance with the state law and decrees.

(4) The state will be longer interfere in the specific affairs of the enterprises. Except for the "trustees," other members of the enterprises, including managers and other leaders of the enterprises, will cease to be the employees of the state. The remunerations of all the members of the enterprises, except the "trustees," will be determined by the enterprises themselves according to the state macroeonomic policies and the enterprise profit.

(5) The state will levy taxes on the enterprises according to the state-fixed rate and the taxes collected by the state will mainly be spent on the public undertakings. The funds for the expansion of reproduction will be retained in the enterprise. The enterprise board of directors will have the right to use the enterprise's profits according to its needs and no one else is allowed to interfere in the use of the enterprise profit.

The enterprise's economic relations established according to this idea gives prominence to the principle of enterprise property trusteeship and the enterprise operation principle, so we call this new-type enterprise economic relations as "operation trusteeship." The advantages of the "operation trusteeship" are"

First, it has affirmed the state ownership of the means of production, but the ownership is exercised within the enterprises. Under the operation trusteeship, the state-owned means of production has its personified representative who has clear-cut powers and responsibilities as the trustee of the state property. This has determined the state ownership of the means of production. The enterprise trustee will do his best to guarantee the integrity and increment of the enterprise property as the deputy of the enterprise property owner.

Second, that the tripartite board of directors exercises control over the enterprise property reflects the actual relations of enterprise property. First, the original responsible organs of the enterprises need to make plans for the production development of various trades and carry out some of the functions of the enterprise owners with regard to enterprise property; second, the banks assume heavy responsibilities for the investment and use of the state-owned property; finally, the enterprises which are the units representing partial and local interests need to exercise their powers from the angle of the enterprise owner. The enterprise board of directors formed by the above mentioned three parties has fully reflected the present relations between the ownership of enterprise property and the use of enterprise property so that it will be able to effectively protect the interests of the enterprise owner.

Third, the practice that the enterprise managers are employed by the enterprises themselves is conducive to solving the present phenomenon that the responsibilities and tasks of enterprise leaders are not clearly defined. The "expansion of enterprise operation" is the motive force for the activities of enterprise leaders. The enterprise managers pursuing a successful career is conducive to overcoming the ultra-short behavior of enterprises and realizing the long-term goals of enterprises. The incomes and honors of enterprise managers will be determined by the success or failure of their careers.

Fourth, the operation trusteeship has made the enterprises organizationally no longer belong to the administrative departments and fundamentally guaranteed the position of the enterprises as relatively independent commodity producers. At the same time, the government can also free itself from microeconomic affairs. The main economic task for the government is therefore to create a good external economic environment for the enterprises.

JINGJI RIBAO LOOKS AT LABOR SYSTEM REFORM

HK160647 Beijing JINGJI RIBAO in Chinese 6 Dec 86 p 2

[Article by Wu Kaitai (0702 0418 3141): "Reforming the Labor System Does Not Mean Opening Up the Labor Force Market"]

[Text] With the development of the structural reform, we have proposed making the socialist market system complete and perfect, requiring at the same time promotion of the national flow of the labor force. This is entirely correct. However, some comrades believe that implementation of the labor contract system, allowing workers and enterprises to select each other, and the rational flow of the labor force means allowing the workers to sell their labor force as a commodity in the market, hence, "opening the labor force market." I think this is a great misunderstanding.

Workers Are No Longer in a Status of Owning Nothing to Their Name [subhead]

The practice of workers selling their own labor force as a commodity in the market is the result of having nothing to their name, despite the personal freedom they have gained. When production means are under workers' public ownership, workers are no longer in a status of owning nothing to their name, and every worker is a member of the public ownership of production means. These social relations we can see in real life. They embody the right of laborers to take part in joint labor, the right to participate in the democratic management of the enterprise as one of the masters of the enterprise, the right to obtain corresponding rewards based on the contribution of their own labor, not on labor force price, as well as workers' welfare with direct or indirect social deductions. [paragraph continues]

When a worker comes to work in an enterprise, he participates in joint labor as one of its masters, but not to sell his labor force. Joint labor is one of the essential characteristics of socialist productive relations, which should not be confused with employed labor.

The essence of replacing the centralized work distribution system with the labor contract system is to change the grouping mode of joint labor, namely, to give up the grouping mode of "matching" relying on administrative means, while setting up a new grouping mode with enterprises and workers selecting each other and combining on a voluntary basis. Under the socialist system, the labor contract system is the signing of contracts by workers to participate in the joint labor of an enterprise. The contract is signed under the premise of a voluntary basis between the two parties; the enterprise on the one hand believes the laborer will meet the need of the production development in the joint labor of the enterprise; on the other hand, the worker believes his acceptance of the designated job meets his own conditions and will. The duties, privileges, and rights of both parties as well as the work payment of the worker and his rights as one of the masters of the enterprise are stipulated in the contract, which embodies the nature of socialist joint labor. The termination or cancellation of a contract means only a temporary interval for the worker to transfer from the basic unit of one joint labor to another, but it does not abolish the right of the worker to participate in joint labor and to share the use of production means. Under the socialist system, the utilization of production means under public ownership the participation in joint labor is the basic right of workers on the basis of mutual selection, voluntary combination, and rational flow; better grouping will be accomplished to meet the needs of the development of socialist commodity production. This is precisely the essence of the reform of the labor system.

Changing the Grouping Mode of Joint Labor Does Not Mean "Opening the Labor Force Market" [subhead]

Under the condition of commodity economy, the market represents the trading relations of commodities. If the labor force is not a commodity, there will be no labor force market to speak of. Making the labor force a commodity is the precondition for opening the labor force market. It is contradictory to negate the labor force as a commodity while advocating "the opening of the labor force market."

By no means is our reform intended to turn the labor force once again into a commodity to be sold in the market. Some people believe that the labor force under the centralized work distribution system is not a commodity, but once the labor contract system is implemented, the relationship between the enterprise and workers will become one typical of commodity trading and turn the labor force into a commodity. This is only viewing things in their similarities of appearance, but not their essential differences. True, labor contracts have long been practiced under the capitalist system; however, the labor contract is just a form, and different ingredients may be contained therein. Under the capitalist system, the workers sells his labor force to the employer as a commodity, and the labor contract is truly a contract on the trading of labor force. However, under the conditions of socialist public ownership, the workers participate in joint labor as one of the owners of production means, and the objective conditions do not exist that force the worker to sell his labor force as a commodity to the collective he has joined, and wages are no longer a transformation of the price for labor force, but a form of distribution according to work. Here, labor contract is not one of commodity trading, but a contract on the laborer for participating in the joint labor of a unit.

To prove that the labor force under socialist public ownership is still a commodity, one must show why the worker as one of the owners of production means must sell his labor force, and why a wage is not his income based on the principle of distribution according to work but the price of labor force. People always fail to be clear on this point because economic relations in reality are not so. The relations of distribution according to work in reality in particular have become a big problem to those who are for the "theory of labor force turning into a commodity". The price of labor force depends on the labor force value as well as the demand-supply relation and is already fixed before the workers are in the process of labor. Despite the varieties in the form of "work payment," they are merely the decomposition and transformation of the price of labor force. The worker's income under the principle of distribution according to work does not depend on "labor force value" but on the volume and quality of work done by the worker in the course of his work, and the income gradually grows with the increase of the national income and the enterprise's net income, with a continuous breakthrough in the realm of "labor force price." Therefore, whether in nature or volume, distribution according to work is entirely different from the distribution according to "labor force price."

In the development of lateral economic combination, the joint-stock system will develop somewhat, and the relation between the laborer and the enterprise tends to become complicated. However, so long as public ownership takes up the lion's share, the nature of joint labor will not change. Besides, under the conditions of commodity economy, the development of private business will inevitably involve the emergence of private enterprises with more or less hired labor. In those cases of hired labor in private enterprises (as well as enterprises with foreign capital), labor force is in fact a commodity, and a labor force market has come into being here. However, between economies of different ownership, labor force will flow, and a small number of workers will leave public ownership and individual economies; be hired be private enterprises, small business owners, or enterprises with foreign capital; and flow into the labor force market. These conditions result in the coexistence of nonmarket and market forms in the flow of labor force in China; however, the labor force market exists only in a limited and definite realm because private enterprises and enterprises with foreign funds exist only in a very small number in China's national economy.

The Rational Flow of Labor Force Does Not Belong to the Realm of the Market System [subhead]

Some comrades believe that to develop socialist commodity economy, it is necessary to make all production essentials enter the market, on the grounds that the development of socialist commodity economy requires the flow and trransfer of such production essentials as capital and labor force by adapting to the changes of the market demand; and such flow and transfer involve the need of a market for the production essentials. Here an erroneous conclusion is mixed with a correct view.

The flexible flow and transfer of production essentials are the common requirements in the development of any commodity economy. However, there are two types of production essentials: One is material production conditions, namely, production materials or capital in value form, and the other is personal production conditions, labor force. The worker is different from other production essentials, or labor force; he is not material but a human being, and the subject of social relations, while labor force as its personal quality depends on the flow of workers. In commodity economies of different nature, the flow of labor force does not always depend on market trading.

Under the condition of small commodity economy, the worker is the owner of not only his own labor force, but also of production means. He has no need to sell his own labor force as a commodity in the market. Here, once the laborer changes his production orientation, his labor force will change along with it, and no trading in the market is involved.

The all-round change of production essentials into commodities becomes the necessary condition for the development of commodity economy; this is characteristic of capitalist commodity economy. Socialized mass production belongs to the private ownership of the capitalists, while workers only own their own labor force, without any production means to call their own; this turns labor force into a commodity, too. Along with other production materials, labor force is traded in the market; this is the precondition for the existence and development of capitalism. As far as capitalist commodity economy is concerned market trading is the sole possible condition and form for the flow and transfer the labor force.

Although socialist economy under public ownership is based on socialized mass production, the worker is no longer in a status of owning nothing. And although labor force is still owned by the worker himself, this condition along will not turn labor force into a commodity. The private ownership of labor force under the public owner ship system determines only that the worker has part of the ownership of the products he turns out, as well as the distribution of consumer goods according to work; at the same time, it turns the basic unit of joint labor into a commodity producer possessing relatively independent economic interests. However, this will not turn labor force into a commodity. A withdrawal of labor force from the commodity world is the basic characteristic of the differences between socialist commodity economy and capitalist commodity economy. The flow and transfer of labor force within the public ownership economy, adapting to the market needs and production development, is the rational distribution of workers as masters of the country, and its does not belong to the realm of the market system. Therefore, it should never be dealt with as an issue for perfecting and completing the market system.

In a commodity economy environment, the flow of labor force will naturally be affected by the market mechanism. However, it is necessary to see that the maket mechanism has a direct bearing on the value realized by the enterprise and its net income. The rise and fall of the value realized and its net income wll directly affect the individual income of the workers and staff of the enterpirse based on the principle of distribution according to work. Thus, this plays an important role in regulating the flow of labor force. Here, the net income of the enterprise is a link between the law of value and the law of distribution according to work, while it is the law of distribution according to work that directly regulates the flow of labor force, not the law of labor force value (price), and the market mechanism affects distribution according to work with its regulation of commodity production and exchange, and indirectly affects the flow of labor force.

The socialist market system does not include the labor force market; however, it must have a labor services market. In our own economic, "labor services" has an accurate scientific concept, which refers to services including barbering, acting, and repair services providing not material products but services with some value of use. The labor services market has always existed in China. Here the labor services in trade is not labor force. In cases of labor force trading, labor force as a kind of specific use value is used in the production and management of commodity once bought by the purchaser, while labor service simply directly provides the purchaser with some general use value. [paragraph continues]

The price of labor services is determined by the entire value of the labor services, while the labor force value is only part of the value created by labor. We should not confuse the trading of labor services with the trading of labor force, neither should we dispel the labor services market from the socialist market system because of opposition to the "opening of the labor force market."

CONTRADICTIONS SEEN IN RURAL IDEOLOGY

HK120151 Beijing NONGMIN RIBAO in Chinese 4 Dec 86 p 1

[Commentator's article: "Are Certain Negative Phenomena the Results of Developing Commodity Economy?"]

[Text] There is a contradictory phenomenon in the rural ideological field: On the one hand, people have a deeper understanding of the commodity economy; on the other hand, there are also some negative things. How should we approach this contradiction? This is a question concerning our understanding of the commodity economy and our efforts to strengthen the building of socialist spiritual civilization in the countryside.

We should first acknowledge the existence of negative factors in the ideological field, and then analyze them. For example, superstitious activities, mercenary marriage, old-fashioned weddings and funerals, and even gambling and other economic crimes still exist in some localities. These evil things not only affect the spiritual civilization in the countryside, but also affect the healthy development of the rural economy. However, these negative factors are merely minor aspects of the rural ideological situation. The dominant factor, which represents the trend of the times, is people's new ideas about market, competition, economic efficiency, and breaking new ground and their growing consciousness about democracy, freedom, and equality. These progressive ideas are replacing the old mentality of resting content with the existing state of affairs and making no progress and the outmoded ideas small producers had about egalitarianism. The progressive ideas and concepts are undoubtedly a force promoting the development of the socialist commodity economy and the productive forces. Only by distinguishing the mainstream from the minor streams can we be more confident in advancing reform.

Then, are those negative things mentioned above some byproducts of the commodity economy and the results of reform and opening up? No, certainly not. Through analysis, we can find that most of the negative phenomena in the countryside are derived from residual feudal traditions. For example, superstitious activities, mercenary marriage, and old-fashioned weddings and funerals were prevalent in the old feudalist times. The existence of such things only shows that the commodity economy is merely at its initial stage and has not fully developed into a dominating factor in the rural economy as a whole. It also shows that the influence of feudalist ideas and other old morals and values contradictory to socialism still exist among peasants to a serious degree. To eliminate these vestiges of feudalism, we need to develop the commodity economy in a big way, greatly develop social productive forces, widely popularize education and disseminate scientific and cultural knowledge. Only when science defeats innocence, and the progressive defeats the backward will we gradually wipe out the feudal vestiges. As for some normal phenomena appearing in the development of the commodity economy, we can only apply the normal economic means to deal with them and should not regard them as negative things. Some people not only regard them as negative factors, but also treat them as economic crimes. This is a reflection of their holding to the traditional idea of looking down on commerce. Therefore, we must also renew our ideas and concepts in line with the development of the socialist commodity economy.

The existence of some negative phenomena at present in the countryside is not an inevitable result of reform, opening up, and the development of the commodity economy. However, this does not mean that there is no relation between the two sides. Due to reform and opening up, the rural economy is being turned into a commodity economy. Although the old things have lost the foundation for their existence, the dregs may still be able to float up if there are conditions and opportunities. So sometimes the problems become outstanding and serious. In the transition period of the new replacing the old, some localities neglect ideological and political work and the building of socialist spiritual civilization, or are not good at doing ideological work under the new conditions. This compounds the seriousness of the problems. Facts show that in order to eliminate all the negative phenomena which are related to the feudalist vestiges, we must further deepen reform, establish and perfect various rules and regulations which are suited to the development of the socialist commodity economy, promote the development of the commodity economy, and lay a solid material foundation for developing spiritual civilization; at the same time, we must also do effective ideological and political work and learn some new work methods. This is an urgent requirement for all rural cadres and party members and cadres in building spiritual civilization.

TIAN JIYUN APPEARANCES, ADDRESSES CITED

Discusses Circulation System

OW290413 Beijing XINHUA Domestic Service in Chinese 0822 GMT 26 Nov 86

[By reporter Fu Shanglun]

[Text] Hangzhou, 26 Nov (XINHUA) -- Addressing a meeting to discuss circulation system reform, Tian Jiyun, member of the Political Bureau of the CPC Central Committee and vice premier, stressed that to expedite the development of the commodity economy it is necessary to fully realize the importance and urgency of reforming the circulation system and accelerate the process of reform.

Attending the meeting, which was held in Hangzhou 20-21 November, were leading comrades from Shanghai, Jiangsu, Zhejiang, Hunan, Sichuan, Wuhan, and Hangzhou, as well as leading comrades from the Ministry of Commerce.

Tian Jiyun said: Reforming the circulation system is an important part of restructuring the entire economic system. Doing a good job in promoting circulation system reform is essential for promoting the development of the commodity economy as well as for the restructuring of the entire economic system. The purpose of the reform is to invigorate the circulation of commodities we have produced, support production, and satisfy the consumers' needs. We should therefore improve our leadership, conduct investigation and study, keep in mind the nation's actual needs, and explore new ways to reform the system in the course of promoting circulation.

As to how to reform the circulation system, Tian Jiyun stressed the following four points:

First, we should continue to develop a more efficient circulation network that has diverse economic ingredients, circulation channels, and operating modes so that it can facilitate the development of the commodity economy. He added: In a big country like ours with a billion people, we simply cannot count on one single department, one circulation channel, one single mode of circulation, or just a few commercial outlets to develop the commodity economy, achieve the four modernizations, and satisfy the people's needs in various areas.

Contrary to what some people believe, China today has far fewer commercial outlets and ways of circulation then it needs. Guided by the policy that the state, collectives, and individuals should work together, we should exert concerted effort to increase commercial outlets, circulation channels, and new ways of circulation so that a great commercial system can be developed in our society. Socialist competition drives the development of the socialist commodity economy. State-run commercial departments and supply and marketing cooperatives should give full range to their advantageous position and actively participate in competition. They should seek survival and development and do everything they can in the course of competition.

Second, we should eliminate all unnecessary administrative and intermediate processes and authorize enterprises actual power to make their own decisions. This is an important step in invigorating our enterprises. Those so-called corporations that extort money by imposing barriers instead of doing business or providing services to enterprises should be shut down. Of course, our steps toward settling this problem should be cautious, but our determination should be firm.

Third, we should make every effort to explore more ways to separate ownership and operating rights of an enterprise. Actual experiences gained from the past several years show that separating the ownership and operating rights of enterprises is a good way to invogorate their operation, arouse their workers' enthusiasm, and improve their management, services, and economic performance. Large and mid-size state-run retailers may adopt all types of operating responsibility systems. Small commercial units may freely adopt the leasing system or switch to other business. The superiority and vitality of the leading system was demonstrated shortly after it was adopted by some small enterprises. What those enterprises -- have in common are: Their ownership, the status of their workers, and their distribution system, under which the state gets the largest share, have all remained unchanged. This has brought about significant changes in five areas: The workers have higher working enthusiasm, the outlook of stores or restaurants has improved, the types of goods have increased, services have improved, and income is higher for the state, collectives, and individual workers. Since there is virtually no risk for small enterprises to operate under the leasing system, the pace of development in this regard should be greater.

Fourth, the reform of supply and marketing cooperatives should be intensified under the principle that government-operated cooperatives should genuinely become nongovernment-operated so that they will truly become collective economic organizations. Moreover, policies should be amended so that these cooperatives will truly be treated as collective economies. The reform of supply and marketing cooperatives should start from those at the grass-roots level. Only when the operation of grass-roots enterprises has been invigorated should the reform proceed at other levels.

Tian Jiyun pointed out: To speed up circulation system reform, we must pay attention to training the needed personnel, and replace outmoded concepts with a new concept of developing a well-planned socialist commodity economy. He urged comrades of all regions and departments to keep pace with the needs of the new situation, emancipate their minds, dare to explore new areas, and work earnestly to push the reform forward and expedite the development of the socialist commodity economy.

Inspects Shanghai

OW300503 Shanghai City Service in Mandarin 0100 GMT 26 Nov 86

[Text] Tian Jiyun, member of the Political Bureau of the CPC Central Committee and vice premier of the State Council, recently inspected Shanghai, where he attended a forum of municipal leaders and responsible persons of a number of municipal commissions and offices.

At Shanghai No 3 Iron and Steel Works, he held a forum of plant directors and party secretaries of a number of industrial and communications enterprises. In his important speech at the forum, Comrade Tian Jiyun said: Next year's major task is reform, which shall center on enlivening enterprises, perfecting the market mechanism, and improving macroeconomic control.

He said: To enliven enterprises, it is important to explore wasy to separate ownership and management and to find out the proper forms. Large and medium-sized state enterprises may institute a variety of forms of the management responsibility sytems while small enterprises may institute the leasing system. The enterprises' ownership will not change, nor will the distribution pattern that guarantees a larger share of profits for the state, and the status of workers. Shanghai has many small commercial and service ventures. The leasing system can be boldly implemented as it involves no risks and will breathe new life into Shanghai's economy next year. The benefits cannot be overestimated.

Touching on urban construction, Comrade Tian Jiyun said: Some urban infrastructure and public facilities may charge users' fees, some may be leased out. In this way, we may recover the construction funds and make full use of our money. Shanghai may experiment with this.

Comrade Tian Jiyun said: In enterprises where the system of directors assuming full responsibility is enforced, it is necessary to specifically stipulate that the directors are the heads and the legal representatives of the plants and enterprises. It is necessary to stipulate that they assume full responsibility for the enterprises and that they play a central role in management.

He said: The director-responsibility system is an important aspect of economic and political reform. We must pursue this reform unswervingly and without hesitation. We must take a giant step in this direction.

Comrade Tian Jiyun fully approved Shanghai's achievements. He said: Shanghai has more readily salable manufactured goods this year. Its market is generally good.

He urged comrades in Shanghai to become more flexible in their ideas, to have more confidence, be bold in opening new paths, and to achieve more successes.

Tours in Zhejiang Province

OW031846 Beijing XINHUA in English 1530 GMT 3 Dec 86

[Text] Hangzhou, December 3 (XINHUA) -- Vice-Premier Tian Jiyun has urged government-owned and collective commerical businesses to improve their services and join in market competition by utilizing their own advantages.

Tian said this to the local authorities when he made an investigation tour recently of Wenzhou, a coastal city in east China's Zhejiang Province.

Since a diversified commerce is the policy for restructuring China's rigid commercial system, Tian said, market competition has become acute.

But, "government-owned and collective commercial enterprises can not anticipate that the government will take administrative measures to prevent the shattering of their 'iron rice bowl'," Tian said.

They can develop by utilizing their own advantages to take part in market competition.

In the past few decades, he said, China has formed a fairly strong base for government-run commerce.

So, government owned and collective commercial enterprises should strengthen their positions in the market through competition.

Tian pointed out that the key to invigorating government-owned and collective commercial enterprises is to make them really independent and self-managed economic entities that are responsible for their own profits and losses.

In the large and medium-sized commercial enterprises, Tian said, different responsibility systems should be adopted and those small enterprises, leased.

Visits Tianjin

SK100736 Tianjin City Service in Mandarin 0030 GMT 10 Dec 86

[Text] Tian Jiyun, member of the CPC Central Committee Political Bureau and vice premier of the State Council, inspected the Tianjin economic and technological development zone yesterday with Nie Bichu, deputy secretary of the municipal party committee and vice mayor. After hearing a report by the development zone's administrative committee, Vice Premier Tian Jiyun said: You have established a good reputation in foreign capital utilization and should continue your efforts to maintain it. It is hopd that you will operate plants in a down-to-earth manner and achieve greater success in managing the development zone.

Tian Jiyun visited some Chinese-foreign joint ventures which have already been or will soon be put into operation, such as the (Jiakuai) Ceramics Industrial Corporation Limited, the (Danhua) Enterprise Corporation Limited, and the (Hongfei) Corporation Limited, and asked in detail about their production technologies and managerial methods. He praised the close cooperation between Chinese and foreign personnel. When visiting the (Danhua) Bicycle Plant, the first joint venture opening in the development zone, he praised it for its rapid construction, high efficiency, advanced technology, and fairly good reputation, and he wished it greater success. In the afternoon, Vice Premier Tian Jiyun also inspected the Central Ring Road and toured Nanshi food street and the ancient culture road.

On 8 December, Tian Jiyun presided over a forum on reforming the circulation system of some large cities, which was held in our municipality.

Addresses Auditor Meeting

OW111425 Beijing XINHUA Domestic Service in Chinese 1325 GMT 10 Dec 86

[By RENMIN RIBAO reporter Wang Jingu and XINHUA reporter Fu Gang]

[Text] Beijing, 10 Dec (XINHUA) -- Speaking at a national meeting to commend advanced auditing organs and auditors, Vice Premier Tian Jiyun pointed out today that auditing and supervision should not be weakened or eliminated in the name of enlivening the economy. The more we want to enliven the economy, the more we should intensify auditorial supervision, he said.

A total of 34 advanced auditing organs and 97 auditors were commended at the meeting, which took place at the Great Hall of the People. After greeting them on behalf of the CPC Central Committee and the State Council, Tian Jiyun praised Chinese auditors for the diligence despite difficult working conditions. He pointed out that auditing work is essential for tightening financial and economic discipline, protecting state interests, disciplining party and social conduct, and expediting reform.

Tian Jiyun said: The Constitution provides that auditing organs are established by the state to supervise through auditing financial affairs and revenue and expenditure. Auditing organs' fundamental work is to supervise through auditing. We must clearly realize that supervision need not contradict reform. We should not think that, while performing their supervisory duty, auditing departments are obstructing reform. Actual experiences show that the more we want to enliven the economy, the more we must intensify management and supervision. While violations of the financial and economic regulations will gradually decrease as reform of the economic restructure continues and our eonomic regulations and system continue to improve, auditing work whould not be weakened or eliminated.

Tian Jiyun pointed out: Auditing departments are newly established departments, and auditors will encounter many difficulties since their work is "offensive." Such being the case, it is hoped that governments at all levels will support auditing organs to exercise their supervisory power independently according to law, and firmly forbid any department or individual from retaliating against auditors who uphold principles and perform their duty. Should there be retaliation, the case must be handled seriously. Financial, banking, and other departments concerned should support auditing departments work.

State Councillors Chen Muhua and Wang Bingqian attended the meeting.

Discusses Commodity Distribution

OW170810 Beijing XINHUA in English 0740 GMT 17 Dec 86

[Text] Beijing, December 7 (XINHUA) -- The improvement of commodity distribution is an important part of the current national economic reform, Vice-Premier Tian Jiyun said.

The vice-premier is quoted in today's "ECONOMIC DAILY" as saying, "the national economic reform, now with its focus on urban areas, is changing China's economic structure and mechanics as well as the people's traditional ideas."

"Reform of commodity distribution aims at smoothly moving goods to support production and meet the needs of consumers," the vice-premier said.

"To develop a commodity economy, it is necessary to expand commodity production and facilitate distribution," he added.

"China has done a great deal of work in this field over the past few years," the vice-premier noted, mentioning the reform of state purchases of farm and sideline products by raising prices inline with market regulations; encouraging state departments, collectives and individuals to sell industrial goods; allowing small state-owned shops to adopt more flexible measures including a leasing system; and promoting supply and marketing cooperatives to further cooperate with peasants in boosting the rural commodity economy.

"However," the vice-premier pointed out, "current commodity distribution still can not keep up with the rapid expansion of goods production."

He called on local authorities to continue practicing diversified economic forms to clear the distribution channels, give more autonomy to enterprises, encourage enterprises to explore new means of separation of ownership and production, and get going on the reform of the system of supply and marketing cooperatives.

"People in commercial trade should do away with the traditional idea of the state-owned shops' monopoly and build up the new idea of expanding the socialist planned commodity economy," according to the vice-premier.

YAO YILIN URGES TECHNICAL UPGRADE OF ENTERPRISES

OW301216 Beijing XINHUA in English 0902 GMT 30 Nov 86

[Text] Beijing, November 30 (XINHUA) -- China will give top priority to the technical transformation of enterprises producing export products or import substitutes, Vice-Premier Yao Yilin said here today.

Addressing the Fourth National Conference on Technical Progress which closed here today, Yao Yilin said: "To invigorate enterprise is the key to increasing state revenue." But, he said, efforts should be concentrated on upgrading key enterprises at present in view of the country's financial power.

China has more than 7,000 key enterprise, of which about 70 percent were established in the 1950s and 1960s. It was decided at the meeting that more preferential measures such as tax reduction and profit retaining will be taken to promote the technical upgrading of 1,000 larger and medium-sized enterprises next year.

An official of the State Economic Commission told XINHUA that China will continue to import foreign technology and manufacture more up-to-date equipment for upgrading its enterprises. "We shall increase our export to earn more foreign exchange for the technology import," the commission official added.

The State Economic Commission, the Finance Ministry and the banks should join their efforts to accelerate technical progress of the enterprises and improve their economic performance, the vice-premier said.

FORMER FUJIAN STRATEGIC ISLAND OPEN TO TOURISTS

HK111254 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0241 GMT 11 Dec 86

[Report by Zhuang Nuo (8369 6179): "Troops Stationed on Dongshan Island, Fujian Are Reduced]

[Text] Xiamen, 11 Dec (ZHONGGUO XINWEN SHE) -- Despite remnants of posters like "Joint Defense Between Soldiers and Civilians" remaining on roadside walls, people on Dongshan Island, Fujian Province do not have the feeling of being on the "front line." Fully armed soldiers have been rarely seen.

Liao Jincai, head of Dongshan County, told this reporter the other day: In recent years, the military authorities have energetically sought to reduce troops posted on the island. Naval forces have basically been all withdrawn. At present, there are left only a small number of soldiers guarding the island. This county head said happily: "This change has greatly stimulated opening up Dongshan to the outside world."

Dongshan Island, a 100-plus nautical miles off Kaohsiung of Taiwan, is a place that must be passed through on the way from the Taiwan Straits to the South China Sea. Its peculiar geographic position made it an area contended for by military strategists in ancient China. On 16 July 1953, the last amphibious battle between the Kuomintang and the Chinese Communists took place here. Later, Dongshan Island was heavily guarded, with people kept busy "preparing for war" from year to year. Economic construction proceeded at a very slow pace.

Now, the former Naval base on the island has been changed into the Dongao Wharf, with an investment of 30 million yuan by the government in two 5,000-ton berths. On the former site of a military camp, a high-class tourist hotel, a joint Chinese-foreign venture, has come into being. A large number of scenic spots have also been converted from restricted military areas for the benefit of tourists.

In 1984, Dongshan started becoming a port open to the outside world. Last year, it ws again listed as an open county. Opening up has stimulated political and economic exchanges between Dongshan and the outside world. Many correspondents from foreign countries, including the United States, France, and so forth, have recently come to visit this island. In more than 1 year, up to 1,000 visits have been made by businessmen from abroad coming for business talks. On the island, there have been established four Chinese-foreign joint-venture enterprises and an isolated area for agricultural crops introduced from abroad. The customs and commodity inspection offices in a newly built complex have been put into operation. To strengthen telecommunications links with the outside world, Dongshan is building program-controlled facilities for 1,200 telephone sets.

BRIEFS

SHENGLI OILFIELD PRODUCTION -- Shengli Oilfield in Shandong Province has made new strides in building itself into a second Daqing Oilfield. So far, the daily crude oil output volume of the oilfield has surpassed 90,000 tons, an increase of 20,000 tons over the figure at the beginning of this year. [Excerpt] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 16 Dec 86 SK]

XIZANG OPENS MEETING ON ORGAN STRUCTURAL REFORM

HK180237 Lhasa Xizang Regional Service in Mandarin 0100 GMT 18 Dec 86

[Excerpts] Following the replacement of old leadership groups by new ones in the prefectures and cities, preparations are now complete, after a year of hard work, for structural reform and replacement of old leadership groups by the new in the regional organs, and the plans are now on the table.

A conference on structural reform and replacement of old leadership groups by new ones in the regional organs, convened by the regional party committee, solemnly opened in the Xizang gymnasium on 17 December. Dangzin, deputy secretary of the regional party committee, conveyed an approval note from the central authorities and announced the scheme for restructuring the regional organs. Doje Cering, deputy secretary of the regional party committee and chairman of the regional government, read out the notice of the regional party committee and government on the appointment of cadres. Raidi, deputy secretary of the regional party committee, delivered a report entitled: Proceed From Reality and Unswervingly Do a Good Job in Structural Reform in the Region. Wu Jinghua, secretary of the regional party committee, presided at the opening. [passage omitted]

Dangzin first conveyed the notice from the general offices of the CPC Central Committee and State Council approving the structural reform of the Xizang regional party and government organs. He also conveyed the report of the regional party committee and government seeking instructions on the structural reform of the regional organs. He also announced the structural reform changes in the regional organs and units.

Dangzin said: There are at present 56 party, government, and mass work organs at regional level in the region. After the reform, there will be 35 of these organs, a reduction of 21, or 37.5 percent. The administrative staff will number 2,300, a reduction of 1,422 — 38.2 percent -- compared with the pre-reform situation. At the same time, there are at present eight undertakings and units directly subordinate to the regional authorities. Thre will be 9 of these after the reform, and they will have a total of 1,850 staff, a reduction of 664, or 26.41 percent.

Comrade Dangzin said: The guiding idea and principle regarding this structural reform is to base the work on helping to improve work efficiency, overcome bureaucratism, promote productivity, and stimulate the development of commodity economy; to ensure that the superstructure matches the ecnomic basis; to streamline the upper strata, reduce the number of links in the middle, cut the number of staff, strengthen the basic levels, and change the functions of the organs; to establish an administrative structure that matches Xizang's economic basis and the development of Xizang's economy and various undertakings; and to enable the people to get rich as soon as possible. [passage omitted]

Comrade Raidi's report was in five parts: 1) Why should we carry out structural reform? 2) The basic situation formulated by the reform scheme. 3) The readjustment and staffing of the leadership groups. 4) Get a good grasp of organizing the implementation of the structural reform scheme. 5) Strengthen leadership and ensure the smooth progress of structural reform.

He said: Structural reform is an important aspect of political structural reform and also a major affair for Xizang. Leading central comrades have delivered many important instructions endorsing Xizang's structural reform work. [paragraph continues]

Leading central comrades have explicitly pointed out: We are extremely supportive of your efforts in streamlining the administration. Your reform strides are very big. Your ideas are bold, you have done very well. If you go on like this, you will set a good lead for the whole country.

Comrade Raidi said: In formulating the scheme, the regional party committee has persevered in basing its ideas on reality, and shaken off the bindings of the idea of small but complete. In deciding what organs to establish, it has not stressed that organs must have counterparts in the upper or lower levels, nor has it looked around to see what others are doing. The scheme has the following characteristics:

1. The number of organ and staff have been reduced.

2. The departments handling consultative and information work, supervision and inspection, tourism, and trade have been strengthened. A number of management departments with similar work functions have been amalgamated. The internal organ structure is thus gradually becoming rational.

3. The scheme reforms the methods of administering the discipline inspection personnel and their financial setup, and institutes unified management.

4. The scheme streamlines the number of tiers and eliminates the previous problem of duplicate organs.

5. It changes the functions of organs and stimulates economic structural reform.

6. It reduces the number of logistics and service personnel, and increases the number of professional staff.

Comrade Raidi said: The readjustment of the leadership groups is characterized by the following points:

1. Leadership groups are set up with minority-nationality cadres as the main force and embodying the idea that Tibetans and Hans cannot do without each other. Minority-natonality cadres will account for 60.5 percent of the readjusted regional organ leadership group members, an increase of 11.6 percent compared with the previous groups.

2. The leadership groups will have an echelon-style age structure. The average age of members of the new leadership groups will be 47.3, a drop of 5.3 years compared with the former groups.

3. Attention has been paid to the educational level structure of the leadership groups. In the newly formed groups, 36.7 percent of the members will have educational standards at and above university and college level, an increase of 10.7 percent compared with the former groups.

4. Cadres exchange is effected. Eighty-one cadres are being exchanged in this readjustment of the leadership groups, representing 44.5 percent of the total membership of the groups. We have also paid attention to selecting and employing women cadres and added new posts of inspectors [xunshiyuan] and teaching and research personnel.

Raidi said: The promulgation of the structural reform scheme and the appointment of the new leadership groups show that Xizang's structural reform has taken another important step forward. [passage omitted]

SECRETARY HOSTS FORUM ON NEI MONGGOL ECONOMY

SK180553 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 17 Dec 86

[Text] The regional meeting to commend patriotic personages of all nationalities from all circles who have made contributions to the four modernizations entered its 3d day's session today. This morning, Zhang Shuguang, secretary of the regional party committee, paid a special visit to where the meeting participants are staying and invited some members of democratic parties and some patriotic persons to attend a forum and to solicit their opinions on the region's work.

At about 0900, the comrades who were invited to attend the forum took their seats in succession. At the forum, every participant tried to get the floor. The forum was permeated with an honest, relaxed, and harmonious atmosphere.

Ten representatives, including (Lin Gan), (Zhao Hua), (Luzhamusu), (Liang Yu), (Alatuaole), (Ling Shanglian), (Meng Qingxin), (Wang Yutai), (Li Baoping), and Li Shuyuan, successively spoke on their opinions and suggestions on bringing into full play the intellectuals; role and on how to make science, technology, and education serve the region's economic construction. Comrade Zhang Shuguang listened to and noted down their speeches, frequently broke in to give his remarks, and exchanged opinions with those who made speeches.

(Liang Yu), vice chairman of the Hangjin Rear Banner CPPCC Committee of Bayannur League and deputy general technician of the banner Animal Husbandry Department, made a suggestion in his speech on encouraging scientific and technological personnel to directly get in touch with peasants and herdsmen, to directly apply scientific and technological findings to production, and to make progress and development in the course of spreading scientific and technological findings. He said that by so doing we can not only save funds but also score actual results. After hearing this, Comrade Zhang Shuguang said: That was a good suggestion. We should make a policy to encourage scientific and technological personnel to go to the grassroots, the masses, and production units, and to do their work in a down-to-earth manner.

In their speeches, some representatives said that the region is more backward in the whole country in terms of its economic level. Comrade Zhang Shuguang sighed with deep emotion and said: Acknowledging our backward situation is itself a kind of progress. Because only when we know that our region is backward can we have a sense of being in a crisis. In a certain sense, we are forced to make advancement. We can say that we are being driven to make drastic alternatives. After hearing this, all participants laughed heartedly.

Comrade Zhang Shuguang concluded at the forum: All your opinions and suggestions have been good. Now, we must do a lot of work. Thus, we should only seek truth from facts, act according to our capability, and [words indistinct]. The proposal for growing grasses and planting trees to boost animal husbandry clearly defines the key orientation of the region's strategy for economic development. As long as we take effective measures and do our work solidly, great changes will certainly take place in Nei Monggol.

Comrade Zhang Shuguang also reported to the participants the 1987 work arrangements of the regional party committee and the regional government. He urged the participants to make concerted efforts to fulfill all tasks for 1987.

Attending the forum were vice chairmen of the regional CPPCC Committee, including Wu Ligeng, Han Ming, Li Shuyuan, Liu Zhenyi, Baoyanbatu, and Yun Zhaoguang.

GANSU COMMENDS INDIVIDUAL FOR INVIGORATING CHINA

HK170311 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 15 Dec 86

[Text] At a rally of personages of various circles throughout our province to commend advanced individuals in contributing toward unifying our motherland and invigorating China which concluded this afternoon, provincial party committee Secretary Li Ziqi hoped that: Personages of various circles will further widen their field of vision and offer advice on and devote themselves to the building of two civilizations of our province.

At this afternoon's rally, Li Ziqi first briefed the representatives on the economic situation of our province this year and on the intitial plan for next year's work. He said: Over the past few years, personages of various circles of our province have scored very great acheivements in changing the outlook of Gansu. It is hoped that in the future, all of you will vigorously give play to your wisdom and ability and serve our province's work of reform, opening up, and building two civilizations.

Li Ziqi demanded: Party committees and governments at all levels must show concern for the work of personages of various circles, support them to engage in all kinds of service work, and further do a good job in the cooperation between the party and personages of various circles.

At the rally, leaders, including Li Ziqi, Liu Bing, (Li Keru), Ma Zuling, Yang Fuxing, Huang Zhengqing, Lu Zhongliang, Yan Shutang, Yang Hanlie, Jamyang Losang Jigme Tubdain Goigyi Nyima, (Gongtanchang Danbei Wangxu), and Qin Shiwei, also awarded honorary certificates to advanced individuals who were commended by the rally.

NINGXIA LEADERS AT SCIENCE, TECHNOLOGY CONGRESS

HK180329 Yinchuan NINGXIA RIBAO in Chinese 4 Dec 86 p 1

[Report: "The Autonomous Regional Association for Science and Technology Holds Its Third Congress"]

[Excerpts] The regional Association for Science and Technology held its third congress at the Ningxia Guesthouse auditorium on 3 December.

Regional leading Comrades Li Xuezhi, Ma Qingnian, Li Yunhe, Hao Tingzao, Liu Guofan, Ma Yingliang, Cai Zhulin, Jiang Guangdong, Li Shumin, Liang Feibiao, Wang Huanmin, Wu Shangxian, Yang Xinhe and Xia Siping, adviser to the regional people's government, attended the congress.

Lin Bomin, adviser to the China Association for Science and Technology, attended the congress and delivered a speech. [passage omitted]

Regional party committee Secretary Li Xuezhi delivered a speech at the opening session. On behalf of the regional party committee and the regional people's government, he congratulated the congress and extended sincere regards to regional science and technology workers on all fronts. In his speech Li Xuezhi affirmed the results achieved by the regional Association for Science and Technology over the past 6 years since its second congress. He said that the region's economic development is an embodiment of the painstaking labor and hard work of many science and technology workers. [paragraph continues]

Science and technology workers have exerted strenuous efforts, worked hard, and engaged in arduous and creative labor, displaying a precious spirit of struggle and dedication. On future tasks for the region's science and technology front, Li Xuezhi stressed that we must vigorously promote reform of the science and technology structure; unswervingly serve economic construction; extensively carry out massive scientific and technological activities; and treat "Ningxia must first bring about an upswing" as the science and technology workers' main task. We must bring into full play the role of science and technology in the building of spiritual civilization, and do our best to upgrade the scientific and cultural quality of the people of various nationalities in the region. Science and technology workers must do their best to upgrade their ideological, moral, and professional quality. It is necessary to develop academic democracy; to uphold the principle of "letting a hundred schools of thought contend;" to create a democratic and harmonious academic environment; to foster a good custom of respecting knowledge and talented people; and to create a lively situation in which people can bring their role into full play and talented people can come forward in large numbers. Party committees and governments must strengthen their leadership over the work of science and technology associations, attach importance to and support science and technology associations' work, and bring their role as links and assistants into full play. [passage omitted]

QINGHAI'S 10 MAJOR NEWS STORIES OF 1986

HK170845 Xining Qinghai Provincial Service in Mandarin 2330 GMT 15 Dec 86

[Text] This station's news department has assessed and selected 10 major items of Qinghai news in 1986, in chronological order:

1. Exploitation of Qaidam resources entered a new state. The first phase of the Qarhan Potash Fertilizer Plant project started, the (Xixueshan) Lead and Zinc Mine project entered the winding up stage, and three petroleum exploitation projects in the west were included in the state plan.

2. Our province set up two Hui-tu autonomous counties -- Minhe and Datong.

3. General Secretary Hu Yaobang inspected Qinghai for the second time and proposed that Qinghai should attach more importance to animal husbandry, make full use of resources' strong points, and open to the outside world more boldly.

4. The 1986 Qinghai Provincial Fair was held in the form of earnest talks to develop lateral economic ties, and 39 delegations from various places throughout our country reached 280 agreements on lateral economic ties with our province.

5. An earthquake of over 5 magnitude hit the (Leiyuan) area.

6. New progress in the exploitation of our province's water resources was made. The sluice-gates of Longyangxia Hydroelectric Power Station were lowered to store water, and the state decided to repair (Lijiaxia) Hydroelectric Power Station.

7. Peasants in our province attached importance to investment in agriculture, and caused an upsurge in farmland capital construction. They leveled land on some 120,000 mu.

8. The management of 41 large and medium-sized enterprises under the provincial machinery and light and textile industry systems was transferred to Xining City.

9. Our province started the work of helping specific poor points and townships and scored achievements.

10. The 6th Enlarged Plenary Session of the 6th Qinghai Provincial CPC Committee was held and a decision on stepping up building socialist spiritual civilization was adopted.

SHAANXI TO DEVELOP PRC'S LARGEST COALFIELD

OW130246 Beijing XINHUA in English 0235 GMT 13 Dec 86

[Text] Xian, December 13 (XINHUA) — China is making necessary preparations to build its biggest coalfield in northwest China's Shaanxi Province, a local government official said today.

The Shenfu coalfield, in the northern part of Shaanxi, has verified reserves of 150 billion tons of coal covering an area of 13,000 sq. kilometers. There are approximately 10 million tons of coal per kilometer.

According to visiting American experts, "the coal is of lowest ash, sulphur, phosphorus and of the highest quality for heat production." It is considered "world class quality coal." The coalfield, with stable coal seams near the surface, has aroused great interest in many countries including France, Japan and the United States, since it was found in 1982.

When Premier Zhao Ziyang visited the region, he encouraged local individuals to mine the coal instead of the present practice of state utilization in order to show quick results and save money. The state will be responsible for providing communication and power supply lines.

The state has built a 169-kilometer railway linking Baotou, Inner Mongolia, and Shenmu, the site of the coalfield. The railway will transport 110 million tons of coal annually to other parts of the country when it is completed next year. Other auxiliary projects including communication, commercial facilities and living quarters are also under construction.

SONG HANLIANG AT XINJIANG RALLY FOR MODEL WORKERS

HK151039 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 12 Dec 86

[Text] The 5-day rally to commend advanced collectives and advanced individuals of the tax system concluded in Urumqi today. After assessment, the rally selected 8 advanced collectives and 20 model workers from the tax system of our region.

Leaders of the region, including Song Hanliang and Hedeerbai, attended the rally to extend greetings and award prizes to the advanced collectives and model workers.

NEW PARTY FIRM ON SELF-DETERMINATION POLICY

HK070646 Hong Kong AFP in English 0636 GMT 7 Dec 86

[Text] Taipei, Dec 7 (AFP) -- Taiwan's new opposition party stood firm Sunday on its controversial policy of self-determination for the island as it celebrated its unexpected harvest of seats in national elections.

"The people have the right to determine the way they want to live, the right to determine the way their society should be and the right to determine their future," a spokesman for the Democratic Progressive Party (DPP) told newsmen in answer to a question.

The Kuomintang (KMT), which has been running Taiwan since its defeat by the communists in 1949, regards Taiwan as a province and has recovery of the mainland as the cornerstone of its policies.

In a rare display of unanimity with the Beijing government, it rejects any independence for this island, home of 19 million and one of Asia's great economic success stories.

In Beijing, Chinese Foreign Ministry spokesman Ma Yuzhen said Wednesday: "We are firmly opposed to any theory and acts which advocate the independence of Taiwan or self determination."

Noting Beijing's concern about self-determination, senior DPP official Tsai Shih-yuan told newsmen at a victory press conference "to us this is a very basic issue."

The top party leaders at the press conference conferred for several minutes before answering the question.

In Saturday's vote for the law-making Legislative Yuan and the National Assembly -- which votes in the president -- the DPP made unexpectedly wide gains, winning 12 seats in the legislature and 11 in the National Assembly.

It won 24.8 percent of the vote for the legislature and 22 percent of the assembly vote. In the last Legislative Yuan election in 1983, current DPP members as individuals had won five seats and commanded 16.8 percent.

"The victory we have got should be good news to Mainland China, to Hong Kong and Singapore because we have shown that in the Chinese culture we can start to have some sort of progress in the democratic system" said Yu Ching, a member of the DPP's Central Standing Committee.

The DPP was set up in defiance of a martial law ban on new political parties on September 28. President Chiang Ching-kuo dissuaded KMT hardliners from cracking down on the party, KMT officials have said privately, but the ruling group tried to ignore its existence.

There was no mention on ballots of the party affiliation of 44 DPP candidates whom party sources said were all native Taiwanese.

Asked if the DPP's breakthrough was a victory for the Taiwanese who make up an estimated 85 percent of the population, Mr Yu stressed that the party had support from many who had come from the mainland and that many party workers are mainlanders.

He said that the DPP was "not a Taiwanese movement in the narrow sense of the term Taiwanese." In an introductory statement the DPP said that the results indicated that the party was now "recognized and accepted by the people" and the "people had started to show their strength." It added that the "battle has been won" despite what the statement called "40 years of KMT manipulation of Taiwan's media." "The results were better than we could have reasonably expected," the party said but refused to adopt a triumphalist tone.

Huang Erh-hsuan, one of the party's secretaries general, said that violent clashes Sunday and Tuesday between opposition demonstrators and riot policy seemed to have boosted DPP support.

Earlier DPP leaders had feared that the clashes in which more than 50 riot police and about 40 demonstrators were reported injured would tarnish the DPP's image on this island, where political violence has been rare. The demonstrations erupted around two abortive bids by dissident Hsu Hsin-liang to return. He flew in Tuesday from Manila after failing to get a flight from Tokyo two days earlier, and was denied entry by officials who said his passport had expired.

Mr. Hsu's brother, Hsu Kuo-tai, finished first in the race for the legislature in Taoyuan country, south of here, one of seven DPP candidates who topped the vote getters in their respective areas.

PRESIDENT CHIANG RECEIVES 10 U.S. CONGRESSMEN

OW152349 Taipei CNA in English 1505 GMT 15 Dec 86

[Text] Taipei, Dec. 15 (CNA) -- President Chiang Ching-kuo received an 18-member delegation of U.S. Congressmen Monday morning at the presidential office. President Chiang extended his welcome to members of the delegation for their visit here and exchanged views with them.

The congressmen, who arrived here Friday to take part in the just-concluded seminar on the politics, security and economy of the Republic of China [ROC], thanked the president for the meeting and expressed that the current visit has helped them come to a better understanding of the ROC. The delegation was led by Congressman Gus Yatron, D-Pennsylvania. Other members included Congressmen Del Latta, R-Ohio; Ben Gilman, R-New York; Glenn English, D-Oklahoma; Daniel Akaka, D-Hawaii; Frank Guarini, D-New Jersey; Gerald Solomon, R-New York; Harold Rogers, R-Kentucky; Gary Ackerman, D-New York; and Bill Richardson, D-New Mexico as well as former congressmen Lester L. Wolff, former director of the Central Intelligence Agency William Colby and former U.S. Ambassador to Barbados Sally Shelton Colby.

Chinese officials present at the the presidential audience were Shen Chang-huan, secretary general to the president, Vice Foreign Minister Ting Mou-shih and Chen Chien-jen, vice representative in the U.S. of the Coordination Council for North American Affairs. Later, in the company of Vice Foreign Minister John H. Chang, the delegation called on premier Yu Kuo-hua at the Executive Yuan.

CORRECTION TO ARTICLE ON SUPPORT OF PRC STUDENTS

The following correction pertains to the item headlined "Human Rights Group Supports PRC Student Movement," published in the 17 December China DAILY REPORT, page V 2, paragraph one, line 4:

... reforms staged by Teng Hsiao-ping, Dr. Han Lih-wu, president of... (correcting spelling to Wade-Giles romanization)

HONG KONG

HU QILI MEETS HONG KONG CONSULTATIVE BODY MEMBER

OW171254 Beijing XINHUA in English 1231 GMT 17 Dec 86

[Text] Beijing, December 17 (XINHUA) — Hu Qili, member of both the Political Bureau and the Secretariat of the Chinese Communist Party Central Committee, met T.S. Lo, member of the Executive Committee of the Consultative Committee for the Basic Law of China's Projected Hong Kong Special Administrative Region, here today.

PEOPLE 'SUSPICIOUS' OF PRC, FEAR LEGAL SYSTEM

HK040203 Hong Kong HONGKONG STANDARD in English 4 Dec 86 p 6

[Editorial: "Welcome Move, But Concern Will Remain]

[Text] Hong Kong people remain deeply suspicious of China. This is evident in the continuing debate and discussions over the framing of the future constitution for the post-1997 Speical Administrative Region which is what the territory will eventually be called.

The commitment to communism and the violent swings of the political pendulum from the "hundred flowers" to the Cultural Revolution account for only a part of this.

Of deep concern to people here are the kangaroo courts, the summary executions and the harsh penalties for crimes which are regarded in Hong Kong and other parts of the developed world as relatively minor.

Hong Kong people have been at the receiving end in some of these cases. China has done nothing to assure us that such disregard of human rights will not at some future date be extended to the territory.

So it is most encouraging to hear that China is on the point of signing two important United Nations conventions covering economic, social and cultural rights as well as civil and political rights.

This is only speculation at the moment. But the prominence given to discussion of these two covenants in the party's main propaganda organs tends to strengthen widespread expectation that endorsements are in the offing.

Without official blessings CHINA DAILY would not be declaring that "the day has come when human rights are fully guaranteed in China." Nor would it have committed the country to accepting the UN's right to adopt appropriate methods to persuade members states to cease human rights violations.

While these endorsements are most welcome, it is well to remember that these rights are actually enshrined in the Chinese constitution of 1949.

Since the open door policy was introduced by Mr Deng Xiaoping just over 10 years ago, the Chinese Government has re-affirmed its support of these rights.

Indeed, it has gone to considerable lengths to implement them. The Chinese now claim that its stand is already in line with these covenants. There is no denying that the country's human rights record has improved significantly. One doesn't have to walk into a church or a temple in Shanghai to realise this.

But the kangaroo courts, the summary executions and the unusually harsh penalties, cheating, have continued not merely in recent years, but in recent months as well.

The decades without an established body of laws, the ignorance of the common man and the petty official of basic legal rights and centuries-old practices continue to be used to explain away these lapses. Given the size of the country, it may be some time before the word gets down to some of these petty officials.

But if all the admitted tortures, false imprisonments, kangaroo trials and other human rights abuses were happening only in the countryside, far away from the capital, the situation might be understandable.

But some of these are happening in the capital, Beijing, and other major cities as well. Some have been well-documented by Amnesty International, others acknowledged by the government.

All these explain the persistence of those suspicions about China. Its endorsement of the two UN conventions will be most welcomed but, clearly, it will take more than that to set hearts and minds here fully at rest.

China, of course, has a right to its own legal system. Neither Hong Kong people nor anyone else outside China has any right to question its system. There are things that China does which the developed West might find repugnant, and vice versa.

Amnesty International, for instance, has condemned China for continuing to uphold the death penalty. But few Chinese, whether in China or elsewhere, will support Amnesty International. For cultural and historical reasons, the Chinese and most other Asians, are not averse to the death penalty.

What really matters is whether the system metes out the sort of justice which we have come to accept as fair and tinged with some degree of mercy.

It isn't fair, for instance, to refuse legal representation to an accused person. Nor is it fair to provide such an accused person with counsel who stands alongside the prosecution to point the accusing finger in the name of defence.

These are the sort of things we have seen in recent times. And they involved Hong Kong people. And they came long after the open door policy was declared.

There is cause for continuing concern. Hopefully, as we travel together towards 1997 and beyond justice will be more manifestly seen.